CONSUMER PRICE INDEX

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NINETY-SEVENTH CONGRESS

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MAY 21 AND JUNE 22, 1982

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CONSUMER PRICE INDEX

FRIDAY, MAY 21, 1982

Congress of the United States,
Joint Economic Committee,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 2154, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss and Wylie; and Senators Jepsen, Mattingly, and Brady.

Also present: James K. Galbraith, executive director; Louis C. Krauthoff II, assistant director; Charles H. Bradford, assistant director; and William R. Buechner, Paul B. Manchester, Mary E. Eccles, Mark R. Policinski, and Richard Vedder, professional staff members.

Representative Reuss. Good morning. The Joint Economic Committee will be in order and we are told that Senator Jepsen will be a moment late.

He has an opening statement which I shall herewith enter into the hearing record.

Also, Senator Hawkins has an opening statement which I enter into the hearing record at this point.

[The opening statements follow:]

Opening Statement of Hon. Roger W. Jepsen

It is a pleasure to welcome an old friend of the committee, Dr. Norman Ture. As one of the country's leading economists, you told us many years ago that high taxes and high money growth mean high unemployment and high inflation. And history has proven you absolutely correct.

This morning we want to hear your thoughts on inflation. The news this morning continues to be good as every measure of inflation shows that we have made significant progress in bringing prices under control. More importantly, the outlook for inflation is also good.

But, I want to also discuss one concern I have about the low inflation figures. Some of my colleagues think the battle against double-digit inflation is over and we can go back to our old ways. As they beat their breasts over interest rates, they demand that we turn on the printing presses once again and use excessive money creation to lower interest rates.

First, excessive money growth causes higher interest rates, not lower. I hope you can provide us with the historical data on what happens when you try to lower interest rates by throwing brand new dollar bills at them. What you get is brand new bouts with higher inflation and higher interest rates.

Second, have these people forgotten the pain that their inflationary policies have caused this Nation? Have they forgotten what happens to the elderly when inflation is 13 percent? Have they forgotten what happens to the poor when inflation is double-digit? Have they forgotten what happens to us as a Nation when uncontrolled inflation makes us view the future with fear rather than with confidence?

Yes, we have terrible unemployment right now and many people are suffering. But, do we trade their misery for future misery by foolishly trying to trade unemployment for inflation? Do we go for the quick-fix or do we give the new program a chance to work?

You know I think it is much more than economics that should keep us on course. I don't think the numbers, the theories, the graphs, the projections or any of that means that much to the people of this country. They feel high unemployment and they feel lower prices; the last thing they need is an economist or the media to tell them how they feel.

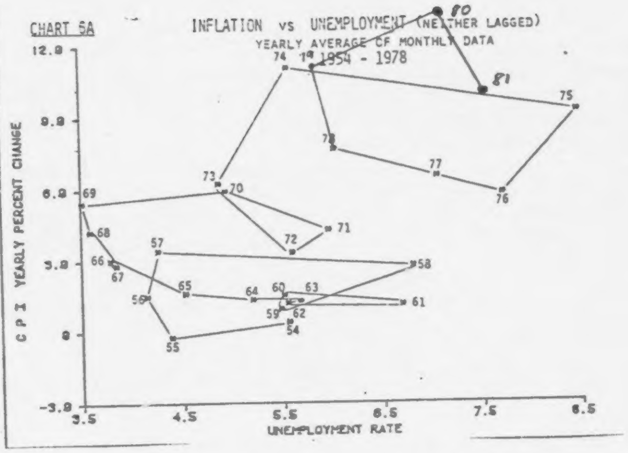
What they want most of all is for government to show the public that it knows where it is going and that it will not change course every six months. What the people of this country want most of all is leadership.

And you know it is leadership and not lower unemployment or lower inflation that is most difficult for government to provide its people. If we solved the big problems of leadership, we would go a long way to solving our economic problems.

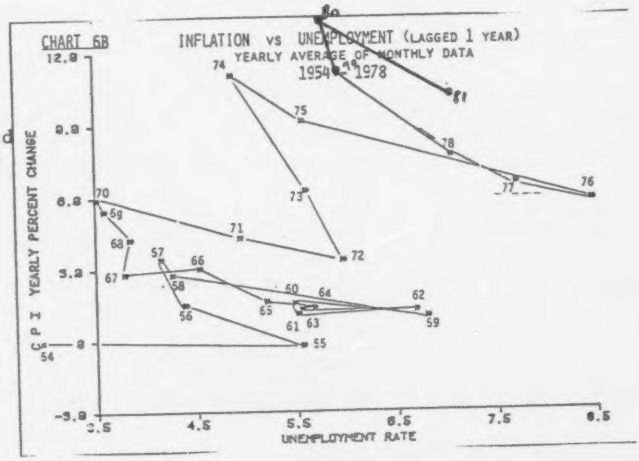
Your attention is called to the unemployment-inflation trade-off.

See the attached charts to see what it really looks like.

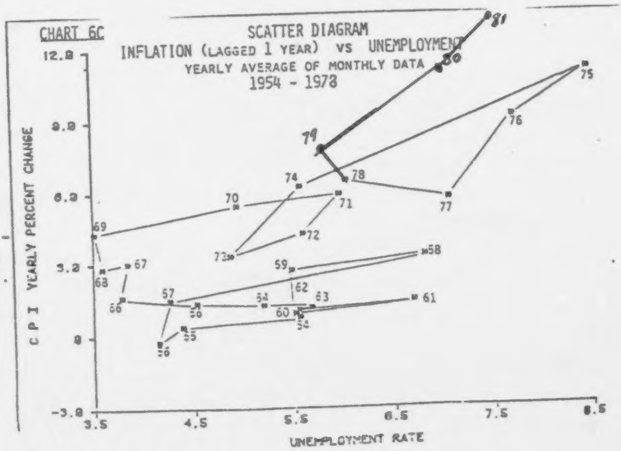
This graph shows that the unemployment-inflation trade-off is slippery; and also that it worsened in 1970, again in 1974 and still again in 1979.



This graph shows that when this year's inflation rate is assumed to depend on last year's unemployment rate, the trade-off remains slippery and still is shown to have worsened in 1970, 1974 and 1979.



This graph shows that if this year's unemployment rate is assumed to depend on last year's inflation, the trade-off is essentially positive -- more inflation means more unemployment a year later.



OPENING STATEMENT OF HON. PAULA HAWKINS

The very good news continues on inflation. During the first 4 months of this year, the Consumer Price Index has been running well below 3 percent. The GNP price deflator—which provides the broadest and most complete measure of inflation in the economy—for the first quarter of this year was only 3.6 percent. And the Producer Price Index is rising at 1 percent, which could further slow the CPI for a few more months.

Some people downplay the significance of this dramatic decline in inflation because the recession is of such overriding concern. There is no doubt that unemployment is too high, but have we forgotten the misery of high inflation? Have we forgotten that prices rose 27 percent during 1979 and 1980? Isn't it obvious that this hyperinflation is what led to double-digit interest rates?

Many of my colleagues in the Congress and a great many people who work for the media do not understand this. They see high interest rates and recession as the costs that we are paying to fight inflation. They are wrong. High interest rates and recession do not result from fighting inflation but from having inflation. Stopping inflation is the prerequisite for achieving low interest rates and sustained economic expansion. Recent interest rate trends bear out my contention.

With the strong inflation in 1977, 1978, 1979, and 1980, interest rates increased and increased. The bellwether rate of interest on 90-day Treasury bills averaged 4.4 percent in December 1976. In December 1977, it averaged 6.1 percent. In December 1978, it averaged 9.1 percent. In December 1979, it averaged 12.1 percent. In December 1980, it averaged 15.7 percent.

The first task of the Reagan Administration in 1981 was to stop the rise in interest rates. That has been done. The Treasury bill rate is now 12 to 12½ percent; about 3½ percentage points below its December 1980 level. The prime rate is 5 percentage points below its December 1980 level.

To keep inflation and interest rates declining, it is imperative that we pursue a policy of restrained growth in government spending, a lifting of burdensome regulations and that we keep the 1981 tax cuts in place. Those who believe that we can get lower interest rates and recovery by increasing taxes and by faster money growth would do well to remember what happened when we followed that advice in 1968. Despite balancing the budget, interest rates went up, not down, inflation accelerated, and a year later the economy receded. Let us not make that mistake again. Lower taxes to stimulate economic growth and restrained money growth to fight inflation are the keys.

OPENING STATEMENT OF REPRESENTATIVE REUSS, CHAIRMAN

Representative REUSS. We are delighted to welcome our colleague from the Senate, Senator Brady from New Jersey, who is with us, and who brings to the Congress a wealth of learning in the financial and investment field. We are honored that you are sitting with us and, of course, you are welcome to interrogate the witnesses.

I am delighted that the April consumer price figures are agreeably low. Prices rose only 0.2 percent in April. It makes the first 4 months a very low inflation with a CPI rise of only 0.8 percent, compared to an annual rate of better than 8.9 percent during 1981 and a 12.4 percent rate in 1980.

As the chart shows [indicating], one might well ask what else is new? Whenever the Government succeeds in raising unemployment, of course, inflation drops. In 1970, unemployment rose to 5.9 percent and inflation obligingly halved itself from 6.1 percent to 3.4 percent.

Now, look at unemployment in 1974, when as you can see unemployment pushed up to 8.5 percent and again, agreeably, inflation plummeted from 12.2 percent to 4.8 percent, very precipitously.

Now, we have a similar rise in unemployment as a result of Reaganomics to 9.4 percent, and inflation has agreeably gone down from 13.3 percent to 1 percent or less than 1 percent.

A recession always brings down the inflation rate. With today's high interest rates and deficits pushing the economy into a deep recession, no one should register surprise that inflation is dead in the water—as Secretary Regan has so well said, the economy is dead in the water—nor should anyone be surprised if—based on the past record—inflation takes off again if the economy ever recovers.

The stark fact is that this administration has refused to take even a first step toward developing a long term anti-inflation policy, unless they're counting on school prayers.

The best the administration can hope is that high interest rates and growing deficits will keep the economy in recession indefinitely.

The issue of the 1970's teaches us that we need an interest rate policy which fosters, instead of kills, investment; an incomes policy featuring some kind of a social contract to keep wages and prices under general surveillance and control; support for competition instead of encouraging megamergers; and job training for workers instead of cutting those programs.

We are happy this morning to have as our first witness Janet Norwood from the Bureau of Labor Statistics.

Ms. Norwood, would you proceed with your statement?

STATEMENT OF HON. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS, DEPARTMENT OF LABOR, ACCOMPANIED BY KENNETH DALTON, ASSISTANT COMMISSIONER, DIVISION OF CONSUMER PRICES AND PRICE INDEXES

Ms. Norwood. Thank you very much, Mr. Chairman and members of the committee. I'd like first to introduce Kenneth Dalton, who is our Assistant Commissioner for the consumer price area.

I am of course very happy to have this opportunity to provide a few comments to supplement the release we issued this morning.

The CPI for all urban consumers rose 0.2 percent in April after seasonal adjustment. The increase follows a decline of 0.3 percent in March and is in line with the moderate rates of change evident since October.

Advances in the housing and food and beverage components, which had decreased in March, were largely responsible for the increase in April. Partially offsetting these increases was a further sharp decline in gasoline prices which produced the largest 1-month decline in the transportation index since October 1954.

Increases in most other major components of consumer spending were about the same as in March. Similar trends occurred in the CPI for wage earners and clerical workers.

The April increase in the CPI–U brought the change in consumer prices from a year ago to 6.6 percent, a sharp slowdown from the 10 percent change recorded for the 12 months ended in April 1981. The price deceleration has been particularly apparent in the 6 months ended in April 1982, during which time the CPI rose at a seasonally adjusted annual rate of 2.8 percent. In contrast, the index rose at an annual rate of 10.5 percent in the 6 months ended in October 1981.

The current price deceleration follows a period of double-digit inflation during which the Consumer Price Index rose to over-the-year rates of 13–14 percent. Consumer prices increased at very moderate rates during the early 1970's, and began an upward spiral late in 1973 with the imposition of the oil embargo in October.

Inflation rose to double-digit rates during 1974. Then, during the recovery from the steep recession of 1973–75, price increases moderated—particularly for food and energy—so that by the end of 1976, consumer prices were rising at an annual rate of less than 5 percent.

With the economic expansion in 1977, prices accelerated moderately. Sharp increases in energy, food, and housing costs followed, pushing consumer price rises to unprecedented rates during 1979, 1980, and for most of 1981.

The current deceleration began late last year. The rate of increase in energy prices slowed markedly after March. By October, prices had begun to fall with large price declines occurring this spring.

In April, retail prices of energy products were 3.4 percent below a year ago. All of the slowdown and subsequent decline of energy products came in the petroleum area. Gasoline and fuel oil prices were down from last April, whereas charges for natural gas and electricity continued to increase at about the same rate as during 1981.

Despite their increase in April, food prices also decelerated sharply during the last 12 months. In fact, the rate of increase in food prices was more than cut in half.

All major components of the CPI food index slowed, with the largest deceleration occurring in dairy products, fruits and vegetables, sugar and sweets, fats and oils.

Most of the slowdown in the all items CPI during the past year came from energy items. But such other items as clothing, public transportation, entertainment, and house, also contributed to the slowdown.

There were two exceptions to the deceleration trend. Medical care prices in April were 12.1 percent above a year ago, up sharply from the 9.5 percent increase recorded from April 1980 to April 1981. Prices of tobacco products were also up more in the last year than previously.

The homeownership component of the CPI contributed to the slowdown in inflation as house prices reacted to high mortgage interest rates. The Bureau's experimental CPI, which uses rent in place of homeownership, has also decelerated during the past year.

In April, this experimental measure declined 0.2 percent to a level of 6 percent above a year ago. A year ago—in April 1981—the rental equivalence-based measure was 9.9 percent above April 19. Thus, both the official CPI and the experimental rent-based CPI decelerated. The rent substitution measure slowed by 3.9 percentage points and the official CPI–U by 3.4 points.

The difference in the rate of deceleration between the two measures reflects differences in the treatment of homeownership. The experimental measure uses rent charges to represent the change in the shelter costs of homeowners. The official CPI employs house prices, mortgage interest rates, property taxes, property insurance, and maintenance and repair costs to represent homeownership costs.

In summary, the price situation has shown marked improvement during the past year, especially during the past 7 months. The over-the-year increase in the CPI is lower than at any time since early 1978.

The Producer Price Index, which reflects the state of the price structure at earlier stages of production, has also shown considerable deceleration. The over-the-year increase in finished good prices was 3.1 percent in April, the smallest year-to-year change in over 5 years.

At earlier stages of production, the situation is even more promising, with prices of intermediate goods for further processing in April only 1.4 percent above a year ago and prices of crude materials actually down 4 percent.

Thus, the substantial reduction in inflationary pressures is broadly based; it reflects improvements that have taken place in the supply-demand situation for petroleum and agricultural products, as well as price reductions resulting from the decline in overall economic activity.

Mr. Dalton and I will now try to answer any questions you may have.

[The Consumer Price Index, April 1982, news release referred to by Ms. Norwood follows:]

News United States Department of Labor

Bureau of Labor Statistics Washington, D.C. 20212

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Friday, May 21, 1982

Advance copies of this release are made available to the press with the explicit understanding that, prior to 8:30 a.m. EDT: (1) Wire services will not move over their wires copy based on information in this release, (2) electronic media will not feed such information to member stations, and (3) representatives of news organizations will not contact anyone outside the Bureau of Labor Statistics to ask questions about or solicit comments about information in this release.

THE CONSUMER PRICE INDEX--APRIL 1982

The Consumer Price Index for All Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) both rose 0.4 percent before seasonal adjustment in April, the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The CPI-U rose to 284.3 and the CPI-W to 283.7 (1967=100), respectively. The All Items experimental measure using a rental equivalence approach (CPI-U, X-1) increased 0.2 percent to 258.8. Compared with their levels in April 1981, the CPI-U was 6.6 percent higher, the CPI-U, X-1 6.0 percent higher, and the CPI-W 6.3 percent higher.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 0.2 percent in April, while the experimental CPI-U, X-1 declined 0.2 percent.

The 0.2 percent increase in the official CPI follows a decline of 0.3 percent in March and is in line with the moderate rates of increase evident from October through February. The housing and food and beverage components, which decreased in March, advanced in April and were largely responsible for the increase in the overall index. Partially offsetting these increases was a 1.6 percent decline in the transportation component. Increases in most other major components of consumer spending were about the same as in March. The indexes for

Table A. Percent Changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended Apr.'82	12-mos. ended Apr.'82
	1981			1982					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.		
All items	.4	.5	.4	.3	.2	-.3	.2	.8	6.6
Food and beverages	.2	.1	.1	.7	.6	-.3	.3	2.4	4.1
Housing	.0	.5	.4	.3	.4	-.3	.8	3.7	8.6
Apparel and upkeep	.3	-.1	.1	-.1	.4	.4	.1	3.9	3.0
Transportation	1.3	.9	.6	-.2	-.7	-1.0	-1.6	-12.1	2.8
Medical care	1.0	1.1	.7	.8	.7	1.0	1.0	11.2	12.1
Entertainment	.8	.8	.3	.7	.7	.5	.3	5.7	6.7
Other goods and services	1.0	.5	.6	.6	.9	1.0	.9	11.4	10.4

apparel and upkeep and entertainment continued to register small increases, while large increases were recorded by the medical care and other goods and services components.

Rising homeownership costs accounted for over four-fifths of the 0.8 percent increase in the housing component. Home financing costs, which declined in March, rose 1.8 percent in April, reflecting increases of 1.2 percent in house prices and 0.6 percent in mortgage interest rates. The index for residential rent increased 0.2 percent, the smallest increase in 2 years. The fuel and other utilities component was unchanged in April. Increases in charges for natural gas, telephone services, and water and sewerage maintenance offset declines in fuel oil prices and charges for electricity. Over the past 12 months, fuel oil prices have declined 8.4 percent.

The index for food and beverages rose 0.3 percent in April, following a decline of 0.3 percent in March. Grocery store food prices also advanced 0.3 percent. The index for meats, poultry, fish, and eggs increased 1.1 percent in April. Beef and pork prices both increased sharply while poultry prices rose moderately, following seasonal adjustment. On the other hand, egg prices declined sharply for the second consecutive month. The index for fresh fruits and vegetables also declined, but not by as much as in March. All other major grocery store food groups recorded either moderate increases or small declines in April. Prices for the other two components of the food and beverage index -- restaurant meals and alcoholic beverages -- increased 0.4 and 0.3 percent, respectively.

The transportation component recorded its fourth consecutive monthly decrease in April, declining 1.6 percent. Gasoline prices dropped 6.7 percent. Over the past 12 months, the gasoline index has declined 12.5 percent. Partially offsetting the April decline in gasoline prices were moderate increases in most other transportation components. The index for used cars rose 0.6 percent, while the new car index increased 0.7 percent. The indexes for public transportation rose 0.8 percent, largely due to increases in airline and intercity train fares.

The medical care index rose 1.0 percent in April, the same as in March. The index for medical care commodities, which includes prescription and nonprescription drugs and medical supplies, increased 1.1 percent in April. Charges for hospital rooms and physicians' services rose 1.2 and 0.6 percent, respectively.

The index for apparel and upkeep rose 0.1 percent in April, following increases of 0.4 percent in each of the preceding 2 months. The index for women's and girls' clothing was unchanged in April, following an increase of 1.2 percent in the March index. Prices for men's and boys' clothing rose 0.5 percent.

The entertainment index rose 0.3 percent in April, following somewhat larger increases earlier this year. The other goods and services component advanced 0.9 percent, about the same as in the preceding 2 months. Increases in bank service charges and prices for personal care items were largely responsible for the April increase.

CPI-U Experimental Measure

On a seasonally adjusted basis, the CPI-U using rent substitution (X-1) declined 0.2 percent in April. The official CPI-U rose 0.2 percent. The large differences in movement in April reflects the differences in the treatment of homeownership costs in the two indexes. The CPI-U, X-1 uses rental charges to represent movements in shelter costs of homeowners. Rental charges increased 0.2 percent in April. The official CPI-U employs house prices, mortgage interest rates, property taxes, property insurance, and maintenance and repair costs. This measure of homeownership costs increased 1.3 percent in April as a result of increases in house prices and mortgage interest rates.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers rose 0.2 percent in April, following a 0.2 percent decline in March and moderate increases in the preceding 5 months. The food and beverage component advanced 0.3 percent, following a decline of 0.2 percent in March. Grocery store food prices also rose 0.3 percent as meat prices rose sharply. The housing component increased 0.9 percent in April, following an 0.3 percent decline in March. Homeownership costs increased sharply as home financing costs rose 2.1 percent. The index for fuel and utilities rose 0.1 percent. The transportation component declined for the fourth consecutive month -- down 1.7 percent in April -- primarily due to a 6.7 percent decline in gasoline prices. The index for medical care rose 1.0 percent, reflecting large increases in charges for hospital rooms and prices for prescription and nonprescription drugs and medical supplies. The index for apparel and upkeep increased 0.1 percent. The entertainment index rose 0.4 percent. The other goods and services component continued to advance, increasing 0.8 percent in April.

Table B. Percent Changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended Apr.'82	12-mos. ended Apr.'82
	1981			1982					
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.		
All items	.4	.5	.4	.3	.2	-.2	.2	0.6	6.3
Food and beverages	.2	.1	.1	.8	.4	-.2	.3	2.1	4.0
Housing	0	.4	.4	.2	.3	-.3	.9	4.1	8.8
Apparel and upkeep	-.2	.1	-.1	0	.4	.7	.1	4.8	2.8
Transportation	1.3	.9	.6	-.2	-.7	-1.0	-1.7	-12.6	2.9
Medical care	.9	1.1	.7	.8	.7	.8	1.0	10.6	10.8
Entertainment	1.1	.5	.2	.4	.7	.3	.4	5.8	6.2
Other goods and services	.9	.5	.6	.6	1.0	1.0	.8	12.0	10.1

Homeownership Changes

On October 27, 1981, the Bureau of Labor Statistics announced its intention to change the way in which homeownership costs are measured for the Consumer Price Index. Effective with data for January 1983, the Consumer Price Index for All Urban Consumers (CPI-U) will incorporate a rental equivalence measure for homeownership costs. Effective with data for January 1985, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will also incorporate the rental equivalence approach. Details of these changes can be found in U.S. Department of Labor news release 81-506, October 27, 1981.

Postponement of Rebasing of Consumer Price Index

Because of severe budget constraints, the Bureau of Labor Statistics did not carry out the Government directive to rebase the Consumer Price Index and the Producer Price Index to the new U.S. Government 1977=100 reference base. Postponement was required because of the high cost of both the direct production work necessary to prepare the data and the information services to explain the change. No alternative date for adopting the 1977 reference base has been set. All Items indexes on a 1977=100 reference base are available upon request from the Bureau.

Table C. Official CPI-U and Experimental Measures using alternative approaches to homeownership costs: 1967=100.

Group	Relative importance	Unadjusted indexes		Unadjusted percent change to Apr. 1982 from		Seasonally adjusted percent changes from-		
	December 1977	Mar. 1982	Apr. 1982	Apr. 1981	Mar. 1982	Jan. to Feb.	Feb. to Mar	Mar. to Apr.
ALL ITEMS								
CPI-U	100.0	283.1	284.3	6.6	0.4	0.2	-0.3	0.2
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)	100.0	258.4	258.8	6.0	0.2	0.1	0.2	-0.2
CPI-U-X2 (User Cost Current Interest)	100.0	283.9	285.1	8.8	0.4	0.4	-0.5	0.0
CPI-U-X3 (User Cost Avg. Interest) ..	100.0	275.7	276.7	8.8	0.4	0.4	-0.1	-0.1
Outlays Measures								
CPI-U-X4 (Current Interest)	100.0	279.4	280.2	6.5	0.3	0.1	-0.1	-0.1
CPI-U-X5 (Average Interest)	100.0	270.8	271.4	6.4	0.2	0.1	0.2	-0.1
HOMEOWNERSHIP								
CPI-U	22.8	365.7	370.6	9.2	1.3	0.4	-0.9	1.3
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)[1]/.......	14.5	219.6	220.1	7.8	0.2	0.4	0.5	0.2
CPI-U-X2 (User Cost Current Interest).	11.4	411.7	419.2	25.5	1.8	0.8	-2.4	0.7
CPI-U-X3 (User Cost Avg. Interest) ..	10.0	346.8	352.8	30.6	1.7	1.5	-1.7	0.6
Outlays Measures								
CPI-U-X4 (Current Interest)	10.0	446.0	452.1	12.3	1.4	0.6	-1.2	1.1
CPI-U-X5 (Average Interest)	8.7	339.7	343.2	14.0	1.0	0.9	0.8	0.9

[1]/ Residential rent, not seasonally adjusted

Explanations of Homeownership Measures

Official CPI-U includes five components. (1) The weights for property taxes, property insurance, and home maintenance and repairs represent expenditures of all homeowers in the base period. The weights for house prices and contracted mortgage interest cost represent only those homeowners who actually purchased a home in the base period. Included are the total price paid for the home and the total amount of interest expected to be paid over half the stated life of the mortgage. (2) Current monthly prices are used for each of these components.

Experimental Measure X-1: (1) The weight for this rental equivalence measure is the estimate of the rental value of all owner-occupied homes in the base period compiled from a specific question asked on the 1972-73 Consumer Expenditure Survey. This covers the entire stock of owned homes. (2) Prices used are the current rents collected for the residential rent component of the CPI. The CPI rent component is designed to represent changes in residential rents for all types of housing units, not just changes in rents for units that are typically owner occupied. The CPI rent component is, therefore, not appropriate for this measure.

Experimental Measure X-2: (1) The weight for this user cost method includes expenditures for mortgage interest, property taxes, property insurance, maintenance and repairs, the estimated base-period cost of homeowners' equity in their houses, and the offset to shelter costs resulting from the estimated appreciation of house values in the base period. This measure covers the entire stock of owned houses. To derive the weights for mortgage interest costs and equity costs, the total value of the housing stock in the base period was apportioned into its debt and equity components. The debt component equals the amount owed, and the equity component is the amount owned, i.e., payments on principal plus appreciation from the time of purchase to the base period. Each component was subsequently multiplied by the average mortgage interest rate in the base period to determine its cost. (2) Prices used are current ones except for the appreciation term which uses a 5-year moving average of the changes in appreciation rates.

Experimental Measure X-3: (1) The weights are the same as in Experimental Measure X-2, except that mortgage interest costs are calculated as the total interest amount *paid out* by homeowners in the base period. As in X-1 and in X-2, this measure covers the entire homeowner population. (2) The prices for all components except mortgage interest costs and appreciation are current monthly prices. As in X-2, appreciation is represented by a 5-year moving average of the changes in house prices. However, X-3 uses past and current mortgage interest costs in a 15-year weighted moving average, which reflects the base period age distribution of mortgage loans.

Experimental Measure X-4: (1) The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, and maintenance and repairs. The weight for the mortgage interest term is calculated in the same manner as in X-2. However, no appreciation or equity terms are included. Not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) The prices used for each of these items are current ones.

Experimental Measure X-5: (1) The weights for this outlays approach include, as in X-4, expenditures actually made in the base period for property taxes, property insurance, and maintenance and repairs. The weight for the mortgage interest cost term is the same as for the X-3. No appreciation or equity elements are used. As in X-4, not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) Current prices are used in X-5 except for mortgage interest which uses the 15-year weighted moving average also used in the X-3.

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) A new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from about 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date——1967——which equals 100.0. An increase of 122 percent, for example, is shown as 222.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $22.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978; and *CPI Issues*, Report 593, (Bureau of Labor Statistics, February 1980).

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change

CPI	236.4
Less previous index	233.2
Equals index point change:	3.2

Percent Change

Index point difference	3.2
Divided by the previous index	233.2
Equals:	0.014
Results multiplied by one hundred	0.014x100
Equals percent change:	1.4

A Note on Seasonally Adjusted and Unadjusted Data

Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they actually pay. Unadjusted data also are used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates have replaced 5 years of seasonal data, e.g., data from 1975 through 1979 were replaced at the end of 1979. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 45 selected components changes its seasonal status, seasonal data from 1967 forward for the all items and for any of the 35 other aggregations, that have that series as a component, are replaced.

TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1981	Unadjusted indexes		Unadjusted percent change to Apr. 1982 from-		Seasonally adjusted percent change from-		
		Mar. 1982	Apr. 1982	Apr. 1981	Mar. 1982	Jan. to Feb.	Feb. to Mar.	Mar. to Apr.
				Expenditure category				
All items	100.000	283.1	284.3	6.6	0.4	0.2	-0.3	0.2
All items (1957-59=100)	-	329.2	330.6	-	-	-	-	-
Food and beverages	17.535	275.6	276.5	4.1	.3	.6	-.3	.3
Food	16.577	283.0	283.9	4.0	.3	.6	-.4	.3
Food at home	11.343	277.1	277.9	3.4	.3	.8	-.6	.3
Cereals and bakery products 1/	1.487	281.3	281.7	5.0	.1	.4	.1	.1
Meats, poultry, fish, and eggs	3.686	256.9	258.3	4.3	.5	1.2	-.5	1.1
Dairy products 1/	1.518	246.5	247.5	1.6	.4	.3	.0	.4
Fruits and vegetables	1.669	293.1	294.0	4.3	.3	1.6	-3.5	-.9
Sugar and sweets 1/	.431	365.5	365.3	-2.8	-.1	.7	.4	-.1
Fats and oils 1/	.317	259.6	260.4	-3.6	.3	-.4	-.3	.3
Nonalcoholic beverages	1.234	424.8	424.1	2.3	-.2	.5	.5	-.3
Other prepared foods	1.001	266.5	266.6	6.1	.0	.2	.5	-.1
Food away from home	5.235	302.4	303.6	5.3	.4	.2	.2	.4
Alcoholic beverages	.958	206.6	207.4	4.9	.4	.6	.2	.3
Housing	46.043	306.7	309.4	8.6	.9	.4	-.3	.8
Shelter	31.928	327.6	331.4	9.1	1.2	.3	-.6	1.2
Rent, residential 1/	5.097	219.6	220.1	7.8	.2	.4	.5	.2
Other rental costs	.750	320.1	323.7	13.2	1.1	.4	1.0	1.2
Homeownership	26.081	365.7	370.6	9.2	1.3	.4	-.9	1.3
Home purchase 1/	9.576	269.2	272.3	4.4	1.2	.4	-.4	1.2
Financing, taxes, and insurance 1/	12.947	500.9	508.4	13.7	1.5	.2	-1.2	1.5
Maintenance and repairs	3.558	327.2	331.6	7.2	1.3	.5	-.7	1.0
Maintenance and repair services	2.777	357.8	363.6	7.9	1.6	.4	-.9	1.2
Maintenance and repair commodities 1/	.781	255.0	256.2	4.8	.5	.8	.2	.5
Fuel and other utilities	6.882	339.3	339.2	9.1	.0	.2	.5	.0
Fuels	5.071	430.5	428.2	8.0	-.5	.0	.5	-.4
Fuel oil, coal, and bottled gas 1/	1.387	664.0	641.3	-7.1	-3.4	-.4	-2.8	-3.4
Gas (piped) and electricity	3.683	375.9	377.8	14.3	.5	.1	1.7	.6
Other utilities and public services 1/	1.811	195.0	197.7	12.9	1.4	.6	.6	1.4
Household furnishings and operation	7.233	231.6	232.6	6.1	.4	.6	.4	.3
Housefurnishings	3.833	192.7	193.8	5.4	.6	.5	.2	.4
Housekeeping supplies 1/	1.442	284.2	284.9	6.7	.2	1.2	.6	.2
Housekeeping services 1/	1.957	309.9	310.4	7.1	.2	.2	.6	.2
Apparel and upkeep	4.617	191.1	191.9	3.0	.4	.4	.4	.1
Apparel commodities	3.952	180.8	181.4	2.1	.3	.4	.4	.1
Men's and boys' apparel	1.253	181.7	183.1	4.3	.8	.7	.1	.5
Women's and girls' apparel	1.435	160.3	160.9	1.3	.4	.2	1.2	.0
Infants' and toddlers' apparel	.100	264.7	267.0	3.0	.9	1.6	-.3	-.2
Footwear	.610	204.9	205.6	3.2	.3	.2	.3	.0
Other apparel commodities 1/	.554	212.7	210.8	-1.5	-.9	.7	-.7	-.9
Apparel services	.665	271.3	273.4	7.5	.8	.3	.5	.6
Transportation	19.313	285.1	282.9	2.8	-.8	-.7	-1.0	-1.6
Private transportation	18.009	281.3	278.8	2.0	-.9	-.8	-1.1	-1.7
New cars	3.497	194.4	196.0	5.3	.8	-.8	.1	.7
Used cars	3.297	280.9	285.1	19.2	1.5	.5	.5	.6
Motor fuel 2/	5.973	384.1	366.9	-12.5	-4.5	-2.3	-4.0	-6.7
Gasoline 3/	5.868	383.9	366.7	-12.5	-4.5	-2.3	-4.0	-6.7
Maintenance and repair	1.449	310.2	311.9	7.9	.5	.5	.6	.6
Other private transportation 1/	3.794	254.5	255.1	8.0	.2	.0	.4	.2
Other private trans. commodities 1/	.672	215.6	214.9	3.3	-.3	-.3	.4	-.3
Other private trans. services 1/	3.122	267.2	268.2	8.9	.4	.1	.4	.4
Public transportation 1/	1.304	336.7	339.3	14.2	.8	.6	.0	.8
Medical care	4.870	318.8	321.7	12.1	.9	.7	1.0	1.0
Medical care commodities	.802	200.0	202.4	11.0	1.2	.6	1.2	1.1
Medical care services	4.068	345.1	348.0	12.3	.8	.7	.9	1.0
Professional services 1/	1.920	295.8	297.8	9.6	.7	.8	.5	.7
Other medical care services	2.148	404.7	408.7	14.8	1.0	.6	1.3	1.3
Entertainment	3.589	232.8	233.9	6.7	.5	.7	.5	.3
Entertainment commodities	2.137	236.6	238.0	6.4	.6	.6	.6	.3
Entertainment services 1/	1.452	227.8	228.5	7.1	.3	.7	.3	.3
Other goods and services	4.032	252.2	253.8	10.4	.6	.9	1.0	.9
Tobacco products 1/	1.041	234.1	235.1	10.2	.4	1.6	1.5	.4
Personal care 1/	1.571	243.7	245.9	7.5	.9	.6	.6	.9
Toilet goods and personal care appliances 1/	.713	240.6	243.8	8.9	1.3	.9	.9	1.3
Personal care services 1/	.858	247.3	248.7	6.4	.6	.3	.3	.6
Personal and educational expenses	1.420	290.4	291.9	13.9	.5	.7	1.0	1.1
School books and supplies	.179	263.3	263.8	14.3	.2	1.2	.7	.8
Personal and educational services	1.241	297.1	298.7	13.8	.5	.6	1.1	1.1
				Commodity and service group				
All items	100.000	283.1	284.3	6.6	0.4	0.2	-0.3	0.2
Commodities	56.819	258.8	258.9	3.2	.0	.2	-.5	-.3
Food and beverages	17.535	275.6	276.5	4.1	.3	.6	-.3	.3
Commodities less food and beverages	39.284	247.1	247.0	2.9	.0	.0	-.5	-.6
Nondurables less food and beverages	17.616	263.4	259.7	-1.6	-1.4	-.8	-.8	-2.3
Apparel commodities	3.952	180.8	181.4	2.1	.3	.4	.4	.1
Nondurables less food, beverages, and apparel 1/	13.664	310.3	304.4	-2.6	-1.9	-.2	-1.5	-1.9
Durables	21.667	233.5	235.8	6.6	1.0	.4	.2	.6
Services	43.181	325.5	328.4	11.2	.9	.4	.0	.9
Rent, residential 1/	5.097	219.6	220.1	7.8	.2	.4	.5	.2
Household services less rent	23.925	392.5	397.3	12.5	1.2	.3	-.4	1.2
Transportation services	5.874	288.8	290.3	9.8	.5	.3	.3	.5
Medical care services	4.068	345.1	348.0	12.3	.8	.7	.9	1.0
Other services	4.217	254.0	255.3	8.9	.5	.5	.6	.7
Special indexes:								
All items less food	83.423	281.7	282.9	7.1	.4	.2	-.2	.2
All items less shelter	68.072	268.5	268.7	5.4	.1	.2	-.1	-.1
All items less mortgage interest costs	89.174	267.2	267.9	5.6	.3	.2	-.1	.1
All items less home purchase and mortgage interest costs	79.597	267.1	267.5	5.8	.1	.0	.0	.0
All items less medical care	95.130	280.9	282.1	6.3	.4	.2	-.3	.2
Commodities less food	40.242	245.2	245.0	2.9	-.1	.0	-.5	-.5
Nondurables less food	18.574	258.4	255.0	-1.2	-1.3	-.8	-.7	-2.2
Nondurables less food and apparel 1/	14.622	296.6	291.4	-2.1	-1.8	-.2	-1.3	-1.8
Nondurables	35.152	270.7	269.3	1.3	-.5	-.4	-.6	-.8
Services less rent	38.084	345.7	349.1	11.6	1.0	.4	.0	1.0
Services less medical care 1/	39.113	321.1	324.0	11.0	.9	.3	.0	.9
Energy 1/	11.133	406.1	395.7	-3.4	-2.6	-.8	-1.7	-2.6
All items less energy 1/	88.867	273.6	275.7	7.9	.8	.5	.1	.8
All items less food and energy	72.290	269.8	272.2	8.8	.9	.4	.0	.8
Commodities less food and energy	32.792	225.3	227.2	6.4	.8	.6	.4	.5
Energy commodities 1/	7.450	424.5	406.6	-11.3	-4.2	-1.4	-3.5	-4.2
Services less energy	39.498	321.5	324.5	10.9	.9	.4	-.1	1.0
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.353	$.352	-6.1	-.3	-.3	.0	-.3
1957-59=$1.00 1/	-	.304	.302	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-U

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Jan. 1982	Feb. 1982	Mar. 1982	Apr. 1982	July 1981	Oct. 1981	Jan. 1982	Apr. 1982	Oct. 1981	Apr. 1982
					Expenditure category					
All items	-	-	-	-	11.3	9.7	4.8	0.8	10.5	2.8
Food and beverages	274.1	275.8	274.9	275.7	4.1	5.8	3.9	2.4	5.0	3.1
Food	281.5	283.2	282.2	283.0	4.0	5.9	3.6	2.1	5.0	2.9
Food at home	275.9	278.1	276.4	277.1	3.0	5.4	3.6	1.8	4.2	2.6
Cereals and bakery products 1/	279.8	280.9	281.3	281.7	6.3	3.9	7.2	2.7	5.1	4.9
Meats, poultry, fish, and eggs	252.9	256.0	254.6	257.3	10.1	8.8	-7.8	7.1	9.5	-.6
Dairy products 1/	245.8	246.5	246.5	247.5	1.2	.7	2.0	2.8	.9	2.4
Fruits and vegetables	299.2	303.9	293.4	290.8	-3.5	4.7	31.3	-10.8	.5	8.2
Sugar and sweets 1/	361.6	364.2	365.5	365.3	-15.8	-.1	1.9	4.2	-8.3	3.0
Fats and oils 1/	261.6	260.5	259.6	260.4	-1.6	-.7	-9.9	-1.8	-1.2	-5.9
Nonalcoholic beverages	421.2	423.4	425.7	424.5	-5.5	4.7	7.5	3.2	-.5	5.3
Other prepared foods	264.3	264.8	266.0	265.8	9.6	8.9	3.7	2.3	9.2	3.0
Food away from home	300.4	300.9	301.5	302.7	6.4	7.5	4.7	3.1	6.9	3.9
Alcoholic beverages	204.6	205.8	206.2	206.8	6.9	2.4	5.9	4.4	4.6	5.1
Housing	306.7	307.9	306.9	309.5	17.0	9.8	4.6	3.7	13.3	4.1
Shelter	328.5	329.6	327.5	331.3	20.7	10.9	2.6	3.5	15.7	3.0
Rent, residential 1/	217.8	218.6	219.6	220.1	7.2	11.6	8.1	4.3	9.4	6.2
Other rental costs	313.9	315.3	318.5	322.4	10.6	25.9	5.8	11.3	18.0	8.5
Homeownership	367.7	369.0	365.7	370.5	23.8	10.2	1.3	3.1	16.8	2.2
Home purchase 1/	269.3	270.4	269.2	272.3	17.5	1.6	-4.6	4.5	9.3	-.1
Financing, taxes, and insurance 1/	506.0	507.2	500.9	508.4	32.8	19.4	3.4	1.9	26.0	2.6
Maintenance and repairs	328.0	329.7	327.4	330.8	12.5	3.4	9.6	3.5	7.9	6.5
Maintenance and repair services	360.0	361.6	358.2	362.5	13.8	4.5	10.9	2.8	9.0	6.8
Maintenance and repair commodities 1/	252.5	254.6	255.0	256.2	8.3	.0	5.2	6.0	4.1	5.6
Fuel and other utilities	339.3	339.9	341.6	341.7	11.0	9.4	14.0	2.9	10.2	8.3
Fuels	432.3	432.3	434.4	432.5	10.1	5.8	17.4	.2	7.9	8.5
Fuel oil, coal, and bottled gas 1/	686.0	683.1	664.0	641.3	-7.2	-3.0	8.1	-23.6	-5.1	-9.1
Gas (piped) and electricity	373.8	374.3	380.5	382.8	17.8	9.2	20.5	10.0	13.4	15.1
Other utilities and public services 1/	192.7	193.9	195.0	197.7	13.7	10.4	7.2	10.8	17.0	9.0
Household furnishings and operation	229.1	230.4	231.3	232.0	7.5	5.7	6.4	5.2	6.6	5.8
Housefurnishings	190.8	191.8	192.1	192.8	7.4	5.5	4.5	4.3	6.4	4.4
Housekeeping supplies 1/	279.1	282.4	284.2	284.9	7.1	4.2	7.2	8.6	5.6	7.9
Housekeeping services 1/	307.4	308.1	309.9	310.4	7.7	7.2	9.5	4.0	7.4	6.7
Apparel and upkeep	189.3	190.1	190.9	191.1	3.0	5.2	-.4	3.9	4.1	1.7
Apparel commodities	179.2	180.0	180.7	180.8	2.1	4.8	-1.5	3.6	3.4	1.0
Men's and boys' apparel	180.5	181.8	181.9	182.9	5.3	9.3	-2.6	5.4	7.3	1.3
Women's and girls' apparel	157.6	157.9	159.8	159.8	.3	.3	-.8	5.7	.3	2.4
Infants' and toddlers' apparel	262.8	267.0	266.3	265.9	4.4	9.0	-5.7	4.8	6.7	-.6
Footwear	204.0	204.4	205.1	205.0	3.7	4.5	2.6	2.0	4.1	2.3
Other apparel commodities 1/	212.9	214.3	212.7	210.8	-3.1	7.4	-6.0	-3.9	2.0	-4.9
Apparel services	268.1	268.9	270.2	271.8	10.5	7.6	6.4	5.6	9.1	6.0
Transportation	291.9	289.9	287.1	282.6	7.8	12.7	5.2	-12.1	10.2	-3.8
Private transportation	288.7	286.5	283.4	278.5	5.7	12.9	5.1	-13.4	9.2	-4.6
New cars	196.0	194.5	194.6	196.0	15.2	2.5	4.2	.0	8.7	2.1
Used cars	285.1	286.6	288.1	289.7	19.9	39.4	13.5	6.6	29.3	10.0
Motor fuel 2/	413.1	403.6	387.6	361.8	-8.5	10.6	-1.4	-41.2	.6	-23.8
Gasoline 3/	413.0	403.5	387.4	361.6	-8.5	10.6	-1.5	-41.2	.6	-23.9
Maintenance and repair	305.8	307.4	309.3	311.3	7.6	11.1	5.8	7.4	9.3	6.6
Other private transportation 1/	253.3	253.4	254.5	255.1	11.6	7.8	9.7	2.9	9.7	6.2
Other private trans. commodities 1/	215.5	214.8	215.6	214.9	1.4	7.7	5.4	-1.1	4.5	2.1
Other private trans. services 1/	265.8	266.1	267.2	268.2	13.8	7.8	10.8	3.7	10.8	7.1
Public transportation 1/	334.9	336.8	336.7	339.3	39.7	9.9	5.1	5.4	23.9	5.2
Medical care	312.9	315.0	318.1	321.3	13.6	12.9	10.8	11.2	13.3	11.0
Medical care commodities	196.3	197.5	199.8	202.0	12.4	11.3	7.9	12.1	11.9	10.0
Medical care services	338.7	341.0	344.2	347.6	14.0	13.1	11.5	10.9	13.6	11.2
Professional services 1/	292.0	294.2	295.8	297.8	13.4	8.8	8.1	8.2	11.1	8.1
Other medical care services	395.2	397.6	402.7	407.9	14.3	17.1	14.3	13.5	15.7	13.9
Entertainment	229.7	231.2	232.3	232.9	5.2	9.0	6.9	5.7	7.1	6.3
Entertainment commodities	232.9	234.3	235.7	236.3	6.3	7.5	6.1	6.0	6.9	6.0
Entertainment services 1/	225.5	227.1	227.8	228.5	3.4	11.2	8.4	5.4	7.2	6.9
Other goods and services	247.6	249.8	252.2	254.4	11.0	12.0	6.7	11.4	11.5	9.1
Tobacco products 1/	227.1	230.7	234.1	235.1	11.7	11.4	3.2	14.9	11.6	8.9
Personal care 1/	240.9	242.3	243.7	245.9	8.5	6.1	6.9	8.8	7.3	7.7
Toilet goods and personal care appliances 1/	236.4	238.5	240.6	243.8	8.9	5.2	8.6	13.1	7.0	10.8
Personal care services 1/	245.7	246.5	247.3	248.7	8.3	6.7	5.7	5.0	7.8	5.4
Personal and educational expenses	285.5	287.5	290.4	293.7	13.2	20.2	10.6	12.0	16.8	11.3
School books and supplies	256.6	259.8	261.7	263.8	9.5	24.5	11.9	11.7	16.8	11.8
Personal and educational services	292.5	294.3	297.4	300.8	13.7	19.5	10.5	11.8	16.5	11.2
					Commodity and service group					
All items	-	-	-	-	11.3	9.7	4.8	0.8	10.5	2.8
Commodities	259.9	260.4	259.1	258.4	6.4	6.9	2.5	-2.3	6.7	.1
Food and beverages	274.1	275.8	274.9	275.7	4.1	5.8	3.9	2.4	5.0	3.1
Commodities less food and beverages	249.3	249.2	247.9	246.5	7.6	7.4	2.1	-4.4	7.5	-1.2
Nondurables less food and beverages	268.0	265.8	263.7	257.6	1.4	7.4	1.1	-14.6	4.3	-7.1
Apparel commodities	179.2	180.0	180.7	180.8	2.1	4.8	-1.5	3.6	3.4	1.0
Nondurables less food, beverages, and apparel 1/	315.6	314.9	310.3	304.4	-.1	2.2	1.9	-13.5	1.0	-6.1
Durables	233.6	234.6	235.1	236.5	13.2	5.9	2.6	5.1	9.5	3.8
Services	324.4	325.6	325.7	328.7	18.1	13.3	7.8	5.4	15.7	6.6
Rent, residential 1/	217.8	218.6	219.6	220.1	7.2	11.6	8.1	4.3	9.4	6.2
Household services less rent	393.7	394.8	393.3	398.0	23.5	15.2	7.6	4.4	19.3	6.0
Transportation services	286.7	287.6	288.6	290.1	17.4	9.0	8.4	4.8	13.1	6.6
Medical care services	338.7	341.0	344.2	347.6	14.0	13.1	11.5	10.9	13.6	11.2
Other services	251.2	252.5	253.9	255.6	8.4	12.0	7.7	7.2	10.2	7.4
Special indexes:										
All items less food	282.3	282.9	282.2	282.8	12.9	10.4	5.3	.7	11.6	3.0
All items less shelter	268.5	269.1	268.8	268.4	7.3	8.9	6.0	-.1	8.1	2.9
All items less mortgage interest costs	266.9	267.4	267.2	267.6	8.3	8.1	5.1	1.1	8.2	3.1
All items less home purchase and mortgage interest costs	267.0	267.1	267.1	267.0	8.0	9.0	6.4	.0	8.5	3.1
All items less medical care	281.5	282.2	281.3	281.8	11.2	9.4	4.7	.4	10.3	2.5
Commodities less food	247.2	247.2	245.9	244.6	7.4	7.3	2.1	-4.1	7.4	-1.1
Nondurables less food	262.6	260.6	258.7	253.0	1.7	7.0	1.5	-13.8	4.3	-6.5
Nondurables less food and apparel 1/	301.0	300.5	296.6	291.4	.1	2.3	2.0	-12.2	1.2	-5.3
Nondurables	272.4	271.4	269.9	267.7	3.2	6.5	2.8	-6.7	4.8	-2.1
Services less rent	344.8	346.1	346.0	349.4	19.7	13.7	7.7	5.4	16.7	6.5
Services less medical care 1/	320.0	321.1	321.1	324.0	20.0	13.3	6.4	5.1	16.6	5.7
Energy 1/	416.4	413.0	406.1	395.7	5.9	-.8	1.5	-18.5	2.5	-9.0
All items less energy 1/	272.1	273.4	273.6	275.7	12.9	9.3	4.1	5.4	11.1	4.7
All items less food and energy	269.0	270.0	270.1	272.2	14.8	10.9	5.1	4.8	12.9	5.0
Commodities less food and energy	224.1	225.4	226.2	227.4	11.1	6.0	2.7	6.0	8.5	4.4
Energy commodities 1/	446.4	440.1	424.5	406.6	-6.1	-2.7	-1.6	-31.2	-4.4	-17.7
Services less energy	320.5	321.7	321.3	324.4	18.2	13.8	6.6	5.0	16.0	5.8

1/ Not seasonally adjusted.

2/ New series; includes direct pricing of diesel and gasohol as of September 1981.

3/ Includes direct pricing of gasohol as of September 1981.

NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 3. Consumer Price Index for all urban consumers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes				Percent change to Apr. 1982 from-			Percent change to Mar. 1982 from-		
			Jan. 1982	Feb. 1982	Mar. 1982	Apr. 1982	Apr. 1981	Feb. 1982	Mar. 1982	Mar. 1981	Jan. 1982	Feb. 1982
U.S. city average..................			282.5	283.4	283.1	284.3	6.6	0.3	0.4	6.8	0.2	-0.1
Chicago, Ill.-Northwestern Ind.....	M		275.4	274.9	276.4	280.2	6.3	1.9	1.4	6.4	.4	.5
Detroit, Mich......................	M		280.8	277.8	278.2	283.7	4.1	2.1	2.0	3.7	-.9	.1
L.A.-Long Beach, Anaheim, Calif....	M		285.8	285.6	286.6	286.8	8.0	.4	.1	8.8	.3	.4
N.Y., N.Y.-Northeastern N.J........	M		268.5	269.0	267.4	268.2	5.0	-.3	.3	5.3	-.4	-.6
Philadelphia, Pa.-N.J..............	M		275.7	275.5	274.7	275.1	5.4	-.1	.1	6.3	-.4	-.3
Anchorage, Alaska..................	1	10/67	253.0	-	260.0	-	-	-	-	7.8	2.8	-
Baltimore, Md......................	1		282.1	-	281.9	-	-	-	-	4.3	-.1	-
Boston, Mass.......................	1		274.0	-	269.8	-	-	-	-	2.9	-1.5	-
Cincinnati, Ohio-Ky.-Ind...........	1		285.7	-	284.9	-	-	-	-	7.1	-.3	-
Denver-Boulder, Colo...............	1		305.4	-	309.2	-	-	-	-	9.9	1.2	-
Miami, Fla.........................	1	11/77	155.2	-	155.1	-	-	-	-	10.8	-.1	-
Milwaukee, Wis.....................	1		291.3	-	289.3	-	-	-	-	7.2	-.7	-
Northeast Pennsylvania.............	1		272.5	-	267.2	-	-	-	-	3.7	-1.9	-
Portland, Oreg.-Wash...............	1		288.4	-	286.7	-	-	-	-	6.9	-.6	-
St. Louis, Mo.-Ill.................	1		278.4	-	280.7	-	-	-	-	8.3	.8	-
San Diego, Calif...................	1		323.1	-	319.0	-	-	-	-	8.8	-1.3	-
Seattle-Everett, Wash..............	1		295.9	-	293.4	-	-	-	-	8.2	-.8	-
Washington, D.C.-Md.-Va............	1		278.0	-	278.8	-	-	-	-	6.3	.3	-
Atlanta, Ga........................	2		-	279.8	-	280.2	5.4	.1	-	-	-	-
Buffalo, N.Y.......................	2		-	259.9	-	258.3	1.5	-.6	-	-	-	-
Cleveland, Ohio....................	2		-	285.9	-	286.5	5.3	.2	-	-	-	-
Dallas-Fort Worth, Tex.............	2		-	293.6	-	297.2	6.3	1.2	-	-	-	-
Honolulu, Hawaii...................	2		-	262.2	-	263.8	5.5	.6	-	-	-	-
Houston, Tex.......................	2		-	304.1	-	304.9	6.5	.3	-	-	-	-
Kansas City, Mo.-Kans..............	2		-	276.0	-	274.0	3.2	-.7	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.....	2		-	306.0	-	301.7	13.2	-1.4	-	-	-	-
Pittsburgh, Pa.....................	2		-	278.6	-	275.3	3.6	-1.2	-	-	-	-
San Francisco-Oakland, Calif.......	2		-	295.8	-	298.8	10.5	1.0	-	-	-	-
Region 3/												
Northeast..........................	2	12/77	-	147.6	-	147.2	4.8	-.3	-	-	-	-
North Central......................	2	12/77	-	152.1	-	154.1	7.2	1.3	-	-	-	-
South..............................	2	12/77	-	154.3	-	153.6	6.4	-.5	-	-	-	-
West...............................	2	12/77	-	156.1	-	156.9	8.1	.5	-	-	-	-
Population size class 3/												
A-1................................	2	12/77	-	148.5	-	149.3	5.9	.5	-	-	-	-
A-2................................	2	12/77	-	154.3	-	154.3	6.8	.0	-	-	-	-
B..................................	2	12/77	-	154.9	-	154.8	6.3	-.1	-	-	-	-
C..................................	2	12/77	-	152.8	-	153.0	6.5	.1	-	-	-	-
D..................................	2	12/77	-	151.9	-	153.9	8.3	1.3	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A........................	2	12/77	-	144.2	-	143.6	4.6	-.4	-	-	-	-
North Central/A....................	2	12/77	-	153.6	-	155.2	6.4	1.0	-	-	-	-
South/A............................	2	12/77	-	152.6	-	152.9	6.1	.2	-	-	-	-
West/A.............................	2	12/77	-	157.9	-	158.5	6.8	.4	-	-	-	-
Northeast/B........................	2	12/77	-	150.7	-	150.0	3.9	-.5	-	-	-	-
North Central/B....................	2	12/77	-	151.9	-	155.1	8.1	2.1	-	-	-	-
South/B............................	2	12/77	-	157.2	-	155.7	6.1	-1.0	-	-	-	-
West/B.............................	2	12/77	-	157.1	-	157.0	7.0	-.1	-	-	-	-
Northeast/C........................	2	12/77	-	158.1	-	158.6	5.9	.3	-	-	-	-
North Central/C....................	2	12/77	-	149.1	-	151.2	7.8	1.4	-	-	-	-
South/C............................	2	12/77	-	154.0	-	152.3	6.0	-1.1	-	-	-	-
West/C.............................	2	12/77	-	150.2	-	151.1	6.3	.6	-	-	-	-
Northeast/D........................	2	12/77	-	151.4	-	151.9	5.9	.3	-	-	-	-
North Central/D....................	2	12/77	-	151.0	-	153.3	8.6	1.5	-	-	-	-
South/D............................	2	12/77	-	152.3	-	153.5	8.3	.8	-	-	-	-
West/D.............................	2	12/77	-	153.3	-	157.9	10.0	3.0	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:
A-1 More than 4,000,000.
A-2 1,250,000 to 4,000,000.
B 385,000 to 1,250,000.
C 75,000 to 385,000.
D Less than 75,000.
Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

TABLE 4. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1981	Unadjusted indexes Mar. 1982	Unadjusted indexes Apr. 1982	Unadjusted percent change to Apr. 1982 from– Apr. 1981	Unadjusted percent change to Apr. 1982 from– Mar. 1982	Seasonally adjusted percent change from– Jan. to Feb.	Seasonally adjusted percent change from– Feb. to Mar.	Seasonally adjusted percent change from– Mar. to Apr.
				Expenditure category				
All items	100.000	282.5	283.7	6.3	0.4	0.2	-0.2	0.2
All items(1957-59=100)	-	328.5	329.9	-	-	-	-	-
Food and beverages	19.136	275.9	276.8	4.0	.3	.4	-.2	.3
Food	18.089	283.1	284.1	4.0	.4	.5	-.2	.2
Food at home	12.485	276.2	277.0	3.3	.3	.6	-.5	.3
Cereals and bakery products 1/	1.639	280.0	280.4	4.6	.1	.4	.1	.1
Meats, poultry, fish, and eggs	4.108	256.4	257.8	4.3	.5	1.1	-.5	1.1
Dairy products 1/	1.668	245.9	246.8	1.2	.4	.2	.0	.4
Fruits and vegetables	1.721	289.1	290.3	3.7	.4	.7	-3.1	-.8
Sugar and sweets 1/	.463	365.4	365.2	-3.3	-.1	.7	.4	-.1
Fats and oils 1/	.343	259.7	260.4	-3.7	.3	-.3	-.3	.3
Nonalcoholic beverages	1.417	426.6	426.0	2.5	-.1	.5	.6	-.3
Other prepared foods	1.124	268.1	268.3	6.3	.1	.0	.5	.0
Food away from home	5.604	305.4	306.7	5.5	.4	.1	.4	.2
Alcoholic beverages	1.047	208.8	209.5	5.1	.3	.7	.1	.2
Housing	42.657	306.2	309.2	8.8	1.0	.3	-.3	.9
Shelter	29.005	328.5	332.8	9.3	1.3	.3	-.6	1.3
Rent, residential 1/	4.819	219.1	219.6	7.7	.2	.3	.5	.2
Other rental costs	.513	318.9	322.0	12.9	1.2	.4	1.1	1.4
Homeownership	23.672	367.9	373.6	9.5	1.5	.3	-.8	1.5
Home purchase 1/	8.363	267.1	270.5	4.2	1.3	.3	-.4	1.3
Financing, taxes, and insurance 1/	12.131	507.0	516.0	14.0	1.8	.2	-1.2	1.8
Maintenance and repairs	3.178	323.7	328.3	7.8	1.4	.6	-.6	1.2
Maintenance and repair services	2.314	358.6	365.0	9.2	1.8	.4	-.9	1.5
Maintenance and repair commodities 1/	.865	248.6	249.7	4.2	.4	.7	.2	.4
Fuel and other utilities	6.786	340.2	340.3	9.3	.0	.1	.5	.1
Fuels	5.048	429.9	427.8	8.0	-.5	.0	.5	-.4
Fuel oil, coal, and bottled gas 1/	1.387	666.7	644.0	-7.2	-3.4	-.4	-2.8	-3.4
Gas (piped) and electricity	3.660	374.8	376.8	14.3	.5	.2	1.7	.6
Other utilities and public services 1/	1.738	195.4	198.2	13.0	1.4	.6	.6	1.4
Household furnishings and operation	6.866	228.0	229.1	6.1	.5	.7	.3	.4
Housefurnishings	3.905	190.4	191.7	5.6	.7	.6	.2	.4
Housekeeping supplies 1/	1.479	280.4	281.2	6.8	.3	1.1	.6	.3
Housekeeping services 1/	1.481	308.2	309.2	7.1	.3	.3	.5	.3
Apparel and upkeep	4.625	190.5	191.2	2.8	.4	.4	.7	.1
Apparel commodities	3.991	180.8	181.3	2.1	.3	.4	.8	-.1
Men's and boys' apparel	1.253	181.6	182.9	3.9	.7	.8	.1	.4
Women's and girls' apparel	1.472	163.0	163.4	1.7	.2	.0	1.9	-.1
Infants' and toddlers' apparel	.119	275.4	278.2	3.3	1.0	.7	.5	.0
Footwear	.647	205.2	206.1	3.9	.4	.4	.5	-.1
Other apparel commodities 1/	.500	201.6	199.5	-3.0	-1.0	.7	-.6	-1.0
Apparel services	.634	269.0	271.0	7.2	.7	.3	.4	.7
Transportation	21.835	286.6	284.3	2.9	-.8	-.7	-1.0	-1.7
Private transportation	20.681	283.7	281.2	2.2	-.9	-.8	-1.0	-1.8
New cars	3.703	194.2	195.9	5.2	.9	-.7	.1	.8
Used cars	4.215	280.9	285.2	19.3	1.5	.5	.5	.6
Motor fuel 2/	6.831	385.6	368.2	-12.5	-4.5	-2.4	-3.9	-6.7
Gasoline 3/	6.696	385.4	367.9	-12.6	-4.5	-2.4	-3.9	-6.7
Maintenance and repair	1.596	311.1	312.8	8.0	.5	.4	.7	.6
Other private transportation 1/	4.336	257.8	258.2	7.9	.2	.0	.4	.2
Other private trans. commodities 1/	.756	218.2	217.3	3.3	-.4	-.3	.4	-.4
Other private trans. services 1/	3.580	270.8	271.6	9.0	.3	.0	.4	.3
Public transportation 1/	1.154	331.0	333.3	15.8	.7	.5	.0	.7
Medical care	4.392	317.4	320.2	10.8	.9	.7	.8	1.0
Medical care commodities	.732	200.6	203.0	10.7	1.2	.8	1.1	1.0
Medical care services	3.661	343.0	345.8	10.8	.8	.8	.8	1.0
Professional services 1/	1.836	295.9	297.9	7.9	.7	.7	.5	.7
Other medical care services	1.824	401.6	405.4	13.8	.9	.8	1.0	1.4
Entertainment	3.396	229.5	230.5	6.2	.4	.7	.3	.4
Entertainment commodities	2.155	230.8	232.0	5.7	.5	.7	.3	.4
Entertainment services 1/	1.241	228.4	229.2	7.2	.4	.8	.3	.4
Other goods and services	3.959	249.3	250.9	10.1	.6	1.0	1.0	.8
Tobacco products 1/	1.257	233.2	234.0	9.8	.3	1.6	1.5	.3
Personal care 1/	1.615	241.8	244.1	7.8	1.0	.7	.6	1.0
Toilet goods and personal care appliances 1/	.788	241.5	244.7	10.0	1.8	1.0	1.0	1.3
Personal care services 1/	.827	242.6	244.0	5.9	.6	.3	.3	.6
Personal and educational expenses	1.088	291.7	293.5	14.2	.8	.8	1.0	1.2
School books and supplies	.160	267.5	268.0	14.2	.2	1.3	.6	.9
Personal and educational services	.928	298.0	300.0	14.1	.7	.7	1.1	1.3
				Commodity and service group				
All items	100.000	282.5	283.7	6.3	0.4	0.2	-0.2	0.2
Commodities	59.723	259.1	259.2	3.2	.0	.1	-.4	-.3
Food and beverages	19.136	275.9	276.8	4.0	.3	.4	-.2	.3
Commodities less food and beverages	40.587	247.5	247.2	2.8	-.1	-.1	-.5	-.7
Nondurables less food and beverages	18.786	265.3	261.3	-2.0	-1.5	-.9	-.9	-2.4
Apparel commodities	3.991	180.8	181.3	2.1	.3	.4	.8	-.1
Nondurables less food, beverages, and apparel 1/	14.795	311.5	305.2	-3.0	-2.0	-.3	-1.5	-2.0
Durables	21.801	232.4	234.8	7.1	1.0	.5	.1	.6
Services	40.277	325.8	329.1	11.2	1.0	.3	.0	1.0
Rent, residential 1/	4.819	219.1	219.6	7.7	.2	.3	.5	.2
Household services less rent	21.838	396.6	402.3	12.9	1.4	.3	-.4	1.4
Transportation services	6.329	287.9	289.2	9.9	.5	.2	.3	.5
Medical care services	3.661	343.0	345.8	10.8	.8	.8	.8	1.0
Other services	3.630	252.4	253.8	8.6	.6	.6	.5	.7
Special indexes:								
All items less food	81.911	281.3	282.5	6.8	.4	.1	-.2	.2
All items less shelter	70.995	268.7	268.8	5.1	.0	.1	-.1	-.3
All items less mortgage interest costs	89.736	267.3	267.9	5.4	.2	.0	-.1	.1
All items less home purchase and mortgage interest costs	81.373	267.4	267.7	5.5	.1	.0	-.1	.0
All items less medical care	95.608	280.4	281.5	6.1	.4	.1	-.3	.2
Commodities less food	41.634	245.6	245.3	2.8	-.1	-.1	-.5	-.6
Nondurables less food	19.833	260.2	256.6	-1.6	-1.4	-.9	-.8	-2.3
Nondurables less food and apparel 1/	15.842	297.8	292.3	-2.5	-1.8	-.2	-1.4	-1.8
Nondurables	37.922	271.6	270.1	1.0	-.6	-.4	-.7	-.7
Services less rent	35.458	346.4	350.2	11.7	1.1	.3	.0	1.2
Services less medical care 1/	36.617	321.6	324.9	11.3	1.0	.3	.0	1.0
Energy 1/	11.982	407.9	396.9	-4.1	-2.7	-.9	-1.8	-2.7
All items less energy 1/	88.018	272.3	274.5	7.8	.8	.4	.1	.8
All items less food and energy	69.929	268.3	270.9	8.8	1.0	.3	.1	.8
Commodities less food and energy	33.312	224.5	226.4	6.7	.8	.6	.4	.5
Energy commodities 1/	8.322	425.0	406.9	-11.4	-4.3	-1.4	-3.6	-4.3
Services less energy	36.617	321.8	325.2	10.9	1.1	.3	-.2	1.1
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.354	$.352	-6.1	-.6	-.3	.3	-.6
1957-59=$1.00 1/	-	.304	.303	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

CPI-W

TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Jan. 1982	Feb. 1982	Mar. 1982	Apr. 1982	July 1981	Oct. 1981	Jan. 1982	Apr. 1982	Oct. 1981	Apr. 1982
					Expenditure category					
All items	-	-	-	-	11.3	9.2	4.7	0.6	10.2	2.6
Food and beverages	274.6	275.8	275.3	276.0	4.3	5.5	4.0	2.1	4.9	3.0
Food	281.8	283.1	282.5	283.2	4.2	5.5	3.8	2.0	4.8	2.9
Food at home	275.1	276.7	275.4	276.2	3.2	4.8	3.4	1.6	4.0	2.5
Cereals and bakery products 1/	278.6	279.8	280.0	280.4	5.3	3.7	6.9	2.6	4.5	4.7
Meats, poultry, fish, and eggs	252.5	255.4	254.1	257.0	11.3	8.0	-8.0	7.3	9.6	-.6
Dairy products 1/	245.2	245.8	245.9	246.8	.2	.5	1.6	2.6	.3	2.1
Fruits and vegetables	296.3	298.3	289.1	286.9	-5.4	3.9	33.6	-12.1	-.9	8.4
Sugar and sweets 1/	361.6	364.1	365.4	365.2	-15.0	-2.8	1.6	4.0	-9.1	2.8
Fats and oils 1/	261.5	260.6	259.7	260.4	-2.1	-1.3	-9.5	-1.7	-1.7	-5.7
Nonalcoholic beverages	423.0	425.0	427.5	426.4	-5.6	4.9	7.8	3.3	-.5	5.5
Other prepared foods	266.3	266.4	267.6	267.5	10.9	8.5	4.2	1.8	9.7	3.0
Food away from home	303.7	303.9	305.1	305.8	6.8	7.1	5.6	2.8	7.0	4.2
Alcoholic beverages	206.8	208.2	208.4	208.9	8.1	3.6	4.8	4.1	5.8	4.5
Housing	306.2	307.2	306.4	309.3	17.8	9.5	4.2	4.1	13.6	4.1
Shelter	329.5	330.4	328.4	332.7	22.1	10.4	1.8	3.9	16.1	2.9
Rent, residential 1/	217.4	218.1	219.1	219.6	7.0	11.7	8.1	4.1	9.3	6.1
Other rental costs	312.6	313.7	317.0	321.5	10.7	25.2	4.9	11.9	17.7	8.3
Homeownership	370.0	371.0	367.9	373.4	25.8	9.9	.4	3.7	17.5	2.1
Home purchase 1/	267.4	268.3	267.1	270.5	18.9	.3	-5.8	4.7	9.2	-.7
Financing, taxes, and insurance 1/	512.2	513.2	507.0	516.0	33.9	18.8	3.1	3.0	26.1	3.1
Maintenance and repairs	324.0	325.8	323.7	327.6	15.4	[illegible]	5.9	4.5	10.4	5.2
Maintenance and repair services	360.3	361.9	358.6	363.9	19.9	[illegible]	6.8	4.1	13.1	5.4
Maintenance and repair commodities 1/	246.4	248.2	248.6	249.7	4.6	2.7	4.0	5.5	3.6	4.7
Fuel and other utilities	340.2	340.7	342.5	342.7	11.3	9.1	13.9	3.0	10.2	8.3
Fuels	431.6	431.6	433.8	432.0	10.3	5.6	17.1	.4	7.9	8.4
Fuel oil, coal, and bottled gas 1/	688.9	686.0	666.7	644.0	-7.1	-3.0	7.9	-23.6	-5.1	-9.2
Gas (piped) and electricity	372.3	372.9	379.4	381.8	18.1	9.0	20.0	10.6	13.5	15.2
Other utilities and public services 1/	193.1	194.3	195.4	198.2	14.1	20.1	7.1	11.0	17.1	9.0
Household furnishings and operation	225.4	227.0	227.7	228.5	7.8	5.8	5.5	5.6	6.8	5.6
Housefurnishings	188.5	189.7	190.0	190.7	8.7	5.3	3.7	4.8	7.0	4.2
Housekeeping supplies 1/	275.7	278.8	280.4	281.2	7.0	5.0	6.8	8.2	6.0	7.5
Housekeeping services 1/	305.9	306.8	308.2	309.2	6.8	7.7	9.7	4.4	7.3	7.0
Apparel and upkeep	188.5	189.2	190.6	190.7	5.3	1.5	.2	4.8	3.4	2.5
Apparel commodities	178.8	179.6	181.0	180.8	4.8	.2	-.7	4.5	2.5	1.9
Men's and boys' apparel	180.4	181.8	182.0	182.7	6.5	4.8	-.9	5.2	5.6	2.1
Women's and girls' apparel	159.8	159.8	162.8	162.6	5.4	-6.3	1.3	7.2	-.6	4.2
Infants' and toddlers' apparel	273.7	275.5	276.8	276.8	9.3	6.4	-6.4	4.6	7.8	-1.1
Footwear	204.1	204.9	206.0	205.7	5.1	4.0	3.0	3.2	4.6	3.1
Other apparel commodities 1/	201.4	202.8	201.6	199.5	-1.5	2.8	-9.0	-3.7	.6	-6.4
Apparel services	266.0	266.7	267.7	269.7	8.2	10.2	5.1	5.7	9.2	5.4
Transportation	293.7	291.6	288.8	284.0	7.8	13.6	5.6	-12.6	10.7	-3.9
Private transportation	291.2	288.9	286.0	280.9	6.0	13.7	5.4	-13.4	9.8	-4.5
New cars	195.7	194.3	194.4	195.9	15.7	2.7	2.9	.4	9.0	1.7
Used cars	285.1	286.6	288.1	289.8	19.9	39.4	13.5	6.8	29.3	10.1
Motor fuel 2/	414.5	404.7	389.1	363.1	-8.7	10.7	-1.4	-41.1	.5	-23.8
Gasoline 3/	414.5	404.6	388.9	362.8	-8.7	10.7	-1.4	-41.3	.5	-23.9
Maintenance and repair	306.5	307.8	309.9	311.9	7.0	11.9	6.0	7.2	9.4	6.6
Other private transportation 1/	256.9	256.8	257.8	258.2	11.9	7.7	10.4	2.0	9.8	6.2
Other private trans. commodities 1/	218.0	217.3	218.2	217.3	.8	10.4	3.6	-1.3	5.5	1.1
Other private trans. services 1/	269.7	269.8	270.8	271.6	14.4	7.2	11.9	2.8	10.7	7.3
Public transportation 1/	329.4	331.0	331.0	333.3	48.7	11.7	3.5	4.8	28.9	4.1
Medical care	311.8	314.1	316.7	319.9	9.9	11.6	10.8	10.8	10.7	10.8
Medical care commodities	196.8	198.3	200.4	202.4	13.5	10.3	7.0	11.9	11.9	9.4
Medical care services	337.0	339.6	342.2	345.7	9.3	11.8	11.6	10.7	10.5	11.2
Professional services 1/	292.2	294.3	295.9	297.9	6.8	7.9	8.7	8.0	7.4	8.3
Other medical care services	392.6	395.6	399.6	405.0	11.7	16.0	14.2	13.2	13.8	13.7
Entertainment	226.5	228.1	228.8	229.7	4.7	10.1	4.5	5.8	7.3	5.2
Entertainment commodities	227.4	228.9	229.7	230.6	5.4	7.4	4.3	5.7	6.4	5.0
Entertainment services 1/	226.1	227.8	228.4	229.2	3.6	14.6	5.1	5.6	9.0	5.4
Other goods and services	244.4	246.8	249.3	251.4	10.4	10.8	7.2	12.0	10.6	9.5
Tobacco products 1/	226.2	229.8	233.2	234.0	10.1	11.6	3.1	14.5	10.9	8.6
Personal care 1/	238.8	240.4	241.8	244.1	8.8	5.1	8.3	9.2	6.9	8.7
Toilet goods and personal care appliances 1/	236.9	239.2	241.5	244.7	11.0	5.4	9.9	13.8	8.2	11.8
Personal care services 1/	241.0	241.8	242.6	244.0	6.9	4.7	6.7	5.1	5.8	5.9
Personal and educational expenses	286.5	288.7	291.6	295.2	13.0	19.6	11.5	12.7	16.2	12.1
School books and supplies	260.4	263.9	265.6	268.0	10.3	23.3	11.7	12.2	16.6	11.9
Personal and educational services	293.1	295.1	298.3	302.1	13.3	18.9	11.4	12.9	16.1	12.1
					Commodity and service group					
All items	-	-	-	-	11.3	9.2	4.7	0.6	10.2	2.6
Commodities	260.5	260.7	259.6	258.7	6.7	6.8	2.8	-2.7	6.7	.0
Food and beverages	274.6	275.8	275.3	276.0	4.3	5.5	4.0	2.1	4.9	3.0
Commodities less food and beverages	250.0	249.8	248.5	246.8	7.7	7.4	2.3	-5.0	7.6	-1.4
Nondurables less food and beverages	270.5	268.0	265.6	259.2	1.8	6.6	1.0	-15.7	4.2	-7.7
Apparel commodities	178.8	179.6	181.0	180.8	4.8	.2	-.7	4.5	2.5	1.9
Nondurables less food, beverages, and apparel 1/	317.2	316.4	311.5	305.2	-.5	2.2	1.4	-14.3	.8	-6.8
Durables	232.6	233.7	234.0	235.5	13.9	7.2	2.3	5.1	10.5	3.7
Services	324.8	325.9	326.0	329.4	18.6	13.1	7.5	5.8	15.8	6.6
Rent, residential 1/	217.4	218.1	219.1	219.6	7.0	11.7	8.1	4.1	9.3	6.1
Household services less rent	397.8	398.9	397.4	403.0	25.3	15.2	6.9	5.3	20.1	6.1
Transportation services	286.0	286.6	287.6	289.0	17.6	9.2	9.0	4.3	13.4	6.6
Medical care services	337.0	339.6	342.2	345.7	9.3	11.8	11.6	10.7	10.5	11.2
Other services	249.6	251.0	252.3	254.1	7.4	12.6	6.7	7.4	10.0	7.0
Special indexes:										
All items less food	282.3	282.6	281.9	282.4	12.8	10.1	5.3	.1	11.4	2.7
All items less shelter	269.1	269.5	269.2	268.5	7.1	8.9	6.0	-.9	8.0	2.5
All items less mortgage interest costs	267.5	267.5	267.3	267.6	8.3	7.9	5.2	.1	8.1	2.7
All items less home purchase and mortgage interest costs	267.5	267.5	267.1	267.2	7.6	9.1	5.9	-.4	8.4	2.7
All items less medical care	281.2	281.6	280.8	281.3	11.3	9.1	4.7	.1	10.2	2.4
Commodities less food	248.0	247.8	246.5	244.9	7.8	7.5	2.3	-4.9	7.6	-1.4
Nondurables less food	265.1	262.7	260.5	254.6	2.0	6.5	1.5	-14.9	4.2	-7.1
Nondurables less food and apparel 1/	302.6	302.0	297.8	292.3	-.1	2.3	1.5	-12.9	1.1	-6.0
Nondurables	273.5	272.5	270.5	268.5	3.4	6.0	2.7	-7.1	4.6	-2.3
Services less rent	345.6	346.7	346.6	350.6	20.2	13.5	7.4	5.9	16.8	6.6
Services less medical care 1/	320.5	321.6	321.6	324.9	21.1	13.0	6.1	5.6	17.0	5.8
Energy 1/	419.0	415.4	407.9	396.9	4.8	-1.0	1.1	-19.5	1.9	-9.8
All items less energy 1/	270.9	272.1	272.3	274.5	13.2	8.8	3.9	5.4	11.0	4.7
All items less food and energy	267.6	268.5	268.8	270.9	15.1	11.0	4.6	5.0	13.0	4.8
Commodities less food and energy	223.2	224.5	225.4	226.6	11.8	6.4	2.4	6.2	9.0	4.3
Energy commodities 1/	447.0	440.7	425.0	406.9	-6.3	-2.6	-1.7	-31.3	-4.5	-17.8
Services less energy	321.0	322.1	321.6	325.1	18.6	13.6	6.3	5.2	16.1	5.8

1/ Not seasonally adjusted.

2/ New series; includes direct pricing of diesel and gasohol as of September 1981.

3/ Includes direct pricing of gasohol as of September 1981.

NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Jan. 1982	Feb. 1982	Mar. 1982	Apr. 1982	Percent change to Apr. 1982 from- Apr. 1981	Feb. 1982	Mar. 1982	Percent change to Mar. 1982 from- Mar. 1981	Jan. 1982	Feb. 1982
U.S. city average..................			282.1	282.9	282.5	283.7	6.3	0.3	0.4	6.5	0.1	-0.1
Chicago, Ill.-Northwestern Ind.....	M		275.9	275.4	276.5	280.0	6.5	1.7	1.3	6.8	.2	.4
Detroit, Mich......................	M		277.8	274.8	275.1	280.3	6.6	2.0	1.9	4.4	-1.0	.1
L.A.-Long Beach, Anaheim, Calif....	M		289.8	289.4	290.4	290.5	8.0	.4	.0	9.0	.2	.3
N.Y., N.Y.-Northeastern N.J........	M		267.5	267.8	265.9	266.5	4.6	-.5	.2	4.8	-.6	-.7
Philadelphia, Pa.-N.J..............	M		275.1	275.1	274.3	274.5	5.0	-.2	.1	[illegible].7	-.3	-.3
Anchorage, Alaska..................	1	10/67	248.6	-	254.5	-	-	-	-	7.[illegible]	2.4	-
Baltimore, Md......................	1		282.3	-	282.2	-	-	-	-	4.8	.0	-
Boston, Mass.......................	1		273.4	-	269.8	-	-	-	-	3.1	-1.3	-
Cincinnati, Ohio-Ky.-Ind...........	1		288.4	-	287.2	-	-	-	-	7.3	-.4	-
Denver-Boulder, Colo...............	1		310.5	-	315.0	-	-	-	-	10.2	1.4	-
Miami, Fla.........................	1	11/77	156.4	-	156.4	-	-	-	-	10.4	.0	-
Milwaukee, Wis.....................	1		295.3	-	292.5	-	-	-	-	6.5	-.9	-
Northeast Pennsylvania.............	1		274.5	-	268.4	-	-	-	-	3.0	-2.2	-
Portland, Oreg.-Wash...............	1		285.5	-	283.9	-	-	-	-	6.3	-.6	-
St. Louis, Mo.-Ill.................	1		277.1	-	279.3	-	-	-	-	7.7	.8	-
San Diego, Calif...................	1		317.4	-	313.9	-	-	-	-	9.0	-1.1	-
Seattle-Everett, Wash..............	1		291.9	-	289.6	-	-	-	-	8.1	-.8	-
Washington, D.C.-Md.-Va............	1		281.8	-	283.8	-	-	-	-	7.4	.7	-
Atlanta, Ga........................	2		-	282.7	-	282.9	5.2	.1	-	-	-	-
Buffalo, N.Y.......................	2		-	258.0	-	256.4	1.5	-.6	-	-	-	-
Cleveland, Ohio....................	2		-	285.0	-	285.7	5.0	.2	-	-	-	-
Dallas-Fort Worth, Tex.............	2		-	289.8	-	292.7	5.7	1.0	-	-	-	-
Honolulu, Hawaii...................	2		-	263.2	-	264.7	5.8	.6	-	-	-	-
Houston, Tex.......................	2		-	300.3	-	302.1	6.7	.6	-	-	-	-
Kansas City, Mo.-Kans..............	2		-	274.1	-	272.1	3.0	-.7	-	-	-	-
Minneapolis-St.Paul, Minn.-Wis.....	2		-	305.3	-	301.2	12.7	-1.3	-	-	-	-
Pittsburgh, Pa.....................	2		-	280.0	-	276.7	3.5	-1.2	-	-	-	-
San Francisco-Oakland, Calif.......	2		-	294.9	-	297.8	9.9	1.0	-	-	-	-
Region 3/												
Northeast..........................	2	12/77	-	147.2	-	146.7	4.5	-.3	-	-	-	-
North Central......................	2	12/77	-	152.0	-	153.8	7.0	1.2	-	-	-	-
South..............................	2	12/77	-	154.1	-	153.5	6.2	-.4	-	-	-	-
West...............................	2	12/77	-	156.6	-	157.3	7.9	.4	-	-	-	-
Population size class 3/												
A-1................................	2	12/77	-	148.5	-	149.2	5.7	.5	-	-	-	-
A-2................................	2	12/77	-	153.8	-	153.8	6.5	.0	-	-	-	-
B..................................	2	12/77	-	154.6	-	154.5	5.9	-.1	-	-	-	-
C..................................	2	12/77	-	152.4	-	152.6	6.3	.1	-	-	-	-
D..................................	2	12/77	-	152.2	-	154.0	8.2	1.2	-	-	-	-
Region/population size class cross classification 3/												
Northeast/A........................	2	12/77	-	143.8	-	143.1	4.3	-.5	-	-	-	-
North Central/A....................	2	12/77	-	153.1	-	154.6	6.3	1.0	-	-	-	-
South/A............................	2	12/77	-	153.0	-	153.5	6.4	.3	-	-	-	-
West/A.............................	2	12/77	-	158.2	-	158.8	8.5	.4	-	-	-	-
Northeast/B........................	2	12/77	-	150.6	-	149.7	3.8	-.6	-	-	-	-
North Central/B....................	2	12/77	-	152.9	-	155.8	7.0	1.9	-	-	-	-
South/B............................	2	12/77	-	156.3	-	154.8	5.7	-1.0	-	-	-	-
West/B.............................	2	12/77	-	157.2	-	157.1	6.9	-.1	-	-	-	-
Northeast/C........................	2	12/77	-	157.4	-	157.7	5.4	.2	-	-	-	-
North Central/C....................	2	12/77	-	148.0	-	149.9	7.6	1.3	-	-	-	-
South/C............................	2	12/77	-	153.9	-	152.1	5.6	-1.2	-	-	-	-
West/C.............................	2	12/77	-	151.3	-	152.0	6.3	.5	-	-	-	-
Northeast/D........................	2	12/77	-	151.7	-	152.1	6.2	.3	-	-	-	-
North Central/D....................	2	12/77	-	151.8	-	154.1	8.8	1.5	-	-	-	-
South/D............................	2	12/77	-	152.3	-	153.3	7.9	.7	-	-	-	-
West/D.............................	2	12/77	-	153.2	-	157.9	10.1	3.1	-	-	-	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

Representative REUSS. Thank you. The happy performance of the CPI in April was largely due, was it not, to the miraculous 2.6 percent decline in energy prices?

Ms. NORWOOD. Well, there were a number of components which declined and a number which went up, but you are quite right. The decline in energy prices had an important effect.

Representative REUSS. Some point out today that the decline in retail prices of energy products is leveling off and in fact the price of gasoline is starting to rise again.

Is that correct?

Ms. NORWOOD. That is what I read in the newspapers, Mr. Chairman.

Representative REUSS. Well, it has to be right then. [Laughter.]

If you remove from the April figures the very delicious 2.6 percent decline in energy prices and suggest that energy was a wash, is it not a fact that the rate of increase for April overall would have been 0.8 of a percentage point rather than 0.2 of a percentage point, and that 0.8 of a percentage point for a month, of course, annualizes at our friendly double-digit inflation?

Ms. NORWOOD. Mr. Chairman, you are quite right that if you look at the all item CPI excluding energy, we got 0.8 percent increase and that is higher than a 0.2 percent for the all items CPI.

As you probably know, we don't like to annualize a 1-month rate because we think it puts too much emphasis on a single month.

I think it's also important to note that one of the things which increased the index this month was a change in house prices, and the CPI including energy but excluding house prices is zero.

Representative REUSS. If what the newspapers are reporting, namely an increase in retail energy prices, comes to pass, would you expect this to show up in the May CPI figures, or could it lag until the June CPI figures are in?

Ms. NORWOOD. I am not sure of that. Of course, Mr. Chairman, I think the important point is that the news suggests that there may be some curtailment in the supply of energy which should probably produce some increases in the price of gasoline and other energy items in the CPI.

I have not seen any evidence yet, however, that anyone expects those prices to go up sharply, and I think the question is how much of an increase will there be.

Representative REUSS. But if they go up at all, that is likely to signal rising inflation; is it not?

Ms. NORWOOD. I think we cannot expect a continued downward pull on the index from energy commodities, and we have had that in the last few months.

Representative REUSS. If this occurs, that is, if the CPI turns upward in the next month or two, is it possible that we are going to see at one and the same time rising unemployment and rising inflation?

Ms. NORWOOD. I would hope not.

Representative REUSS. Well, we all hope not. Do you think it is a possibility?

Ms. NORWOOD. I just don't know.

Representative REUSS. The housing industry in our country is in a severe—I use the word "depression" for housing, yet housing prices increased 1.2 percent in April. I don't like to annualize either, but that's a whopping 1-month increase.

How do you explain that housing increase in the face of a clear depression?

Ms. NORWOOD. Well, as I have explained before, Mr. Chairman, we have some real concerns with the data base that is used for the house price index.

We also are certain, as I have indicated publicly, that we are probably not picking up some of the so-called creative financing arrangements that have been occurring. And so I would look at the housing component with some care, and I believe we want to look at it over a longer period of time than a single month.

As you know, the rent-based experimental index did not show that kind of increase, and I wouldn't look at that over a 1-month period either.

I think probably over a longer period of time—over a period of several months—the house price index has been more moderate than in this particular month.

Representative REUSS. Referring to the Consumer Price Index, am I right that about once every 10 years comes a revising and correcting and updating time on the part of BLS with respect to the CPI?

Ms. NORWOOD. Yes, that has been a historical practice.

Representative REUSS. When are you ready for a 10-year revision?

Ms. NORWOOD. I would say that that has to depend on action by the U.S. Congress, sir.

Representative REUSS. Well, if we are to follow good statistical methodology, when should we review the Consumer Price Index?

Ms. NORWOOD. We should have begun work on that perhaps 2 years ago.

Representative REUSS. Was the wherewithal to provide for that review, which, as you say, we should have begun 2 years ago, included in the 1983 budget request?

Ms. NORWOOD. No, sir.

Representative REUSS. How much money would have been involved had a request been made?

Ms. NORWOOD. The revision of the CPI has many aspects to it, and it must be done over a period of several years. So there is an increment for several years. The first year's increment is about somewhere in the neighborhood of $5 million.

Representative REUSS. Do you regard the bringing up-to-date of the Consumer Price Index as an important tool for seeing that our country achieves its goals?

Ms. NORWOOD. Mr. Chairman, as Commissioner of Labor Statistics, I have very great concern for my responsibilities in seeing to it that the data we produce are relevant to current conditions and are of high quality. And I believe that we need to look at not just the market basket, but also the areas in which we collect data.

Since the 1980 census data are now becoming available, the whole rental component should be redesigned. I would also like to see some further quality control work and some further research in a number of areas, as well as the introduction of modern technology in data collection.

Representative REUSS. I am impressed by what you say. I certainly will do my best to see that, in one way or another, the Bureau is put in possession of the means to do its decennial updating of the CPI.

Congressman Wylie.

Representative WYLIE. I defer to Senator Mattingly.

Senator MATTINGLY. Mr. Chairman, the Subcommittee on Congressional Operations and Oversight, which I chair, has also held a number of hearings where Ms. Norwood has presented valuable information on the CPI. There are alternatives that Congress can pursue instead of waiting for a millenium, to revise the CPI–W or the CPI–U. An improved standard might change the lag time and yield a more fair index to whatever economic program there is in this country.

Right now there are 84 indexed Federal programs. When we see the Consumer Price Index falling, as it is now, we should recognize it as good news. Sometimes one gets the impression that we're looking for bad news. Perhaps some want to see inflation stabilize. Others want it to increase in order to take the pressure off some of the accomplishments we have been trying to make in this Congress.

As you know, the inflation pressure, as Ms. Norwood said, is diminishing. Regardless of the many comments on unemployment and interpretation of the data base, there is still a bottom line—the CPI has gone down. For the last 4 months, I think it measures out at 1.2 percent. That is good news indeed.

Furthermore, I think the CPI shows the path to recovery. I do not feel that inflation will necessarily take off when our economy recovers.

There are two things that must be done in the budget process. First, we must tackle the entitlement programs which we continue to avoid. By applying the CPI in a fair and even-handed manner, it can help the recovery of this Federal budget. But at the same time, we must not saddle the private sector with unwarranted taxes that are going to stifle the growth of this recovery.

Now, it all comes down to the budget process here in Congress. The true economic problem in the budget is the entitlement programs. A decreasing CPI is going to have a tremendous impact if it continues in this direction. In your opinion, how will a shrinking CPI impact the outlays of the Federal Government?

I'm not a pessimist. I don't think if we have economic recovery the CPI has got to go back up.

Ms. NORWOOD. Well, clearly, since the CPI is used to escalate a number of Federal Government expenditures, a more moderately increasing CPI will have a very important effect on the Federal Government budget.

Senator MATTINGLY. When you testified before the Operations and Oversight Subcommittee, the Brookings Institution, the American Enterprise Institute, the AFL–CIO, and the U.S. Chamber of Commerce were all represented. At that time, everybody was willing to accept the application of the CPI and its relation to adjusting the cost of living. I think that this goes hand in hand with this budget process we're on.

Don't you now feel that you agree that there's no necessity of increasing inflation if we have economic recovery? Why would the CPI go back up if we have economic recovery?

Ms. NORWOOD. I certainly hope that we have economic recovery and that we continue to have price moderations, Senator Mattingly.

Senator MATTINGLY. Do you think that we're trying to pick off different items in the market basket that are going down? What in that market basket has remained up?

Ms. NORWOOD. One area that I have great concern about is the continuing increase in the medical care component of the CPI, which seems to be going up at a rate of about 1 percent a month. There are always some things that go up and some things that go down. The CPI is basically an average. But we have come from very high rates of 13 and 14 percent, down into a much more moderate range.

Senator MATTINGLY. The market basket is primarily composed of consumable items which exhibit this dramatic downward plunge. Isn't that true?

Ms. NORWOOD. The CPI market basket is made up of the goods and services that were actually purchased by families in the United States. The last survey on which the market basket is based was conducted in 1972 and 1973.

Senator MATTINGLY. Does that also mean that what is happening in the CPI suggests that real wages are rising now?

Ms. NORWOOD. The Bureau of Labor Statistics issued a real earnings release today, which shows some slight decline this month. In the previous several months, there has been an increase in the real average earnings.

Senator MATTINGLY. If we ever do change the market basket, let's just make sure that we don't put the Federal budget in there. As usual, it seems to be the only thing that has a high rate of growth at this moment.

Thank you very much.

Representative REUSS. Senator Jepsen, will you be kind enough to take over until Congressman Wylie and I get back?

Senator JEPSEN [presiding]. Thank you, Ms. Norwood, for waiting while we play musical chairs.

All of us will probably be running in and out of the hearing room because we are working on developing a budget in both Houses.

Ms. NORWOOD. And that is rather important.

Senator JEPSEN. Ms. Norwood, is the reduction in the rate of inflation observed in recent months, when using the CPI, confirmed by the patterns in other price indexes, such as the Producer Price Index, the GNP price deflator, or even the experimental CPI measure that you have devised that uses a rental basis for housing? Is there a relationship that you find with the present CPI?

Ms. NORWOOD. I believe it is correct to say that just about all of the price measures that are produced by the U.S. Government have shown considerable moderation, particularly in the last half year or so.

The Producer Price Index system does permit us to look at the trend of prices through the various stages of development in the economy, from the crude materials level through intermediate processing, finished goods, and then on into the consumer area.

And the producer price system has shown even greater moderation than the consumer price system.

Senator JEPSEN. Ms. Norwood, does there seem to be a consensus among the economists that have been around Washington for a long time, and the folks that have been working on our budget negotiations, that if you have a pump priming, if you get the loose money policy plus tight fiscal policy, you've got the magic formula?

Do you think that such a view is having any influence on some of the decisions made by your shop, or that are advocated in other areas—possibly in your reflection of this chart here this morning?

Ms. **Norwood.** Mr. Chairman, our job is to measure what has happened. We stick to the facts. We derive and collect data. We process them in accordance with procedures that have been established in advance and explain publicly to anyone who wants to look at them. So we just report on what is happening, and we leave to the Members of Congress and the administration and others the role of making policy.

Senator **Jepsen.** Well, you have the facts.

High money growth, which has been in existence until recent years, is sort of the name of the game. You just pump prime the economy.

According to your facts and statistics and records, has that worked over the years?

Ms. **Norwood.** Well, there are a lot of different views about whether inflation is caused because of excessive demand or perhaps not sufficient supply.

All that I can tell you is that our measures include the prices that are paid. And, of course, the official CPI is affected very much by interest rates and by other developments that make people either buy more or buy less. But the causal relationships we prefer to leave to all of the scholars and forecasters. There is a very large industry out there that tries to do that.

Senator **Jepsen.** OK. Thank you very much.

Ms. Norwood, I have no further questions.

I thank you very much for coming and appearing and for all of your input.

Good morning, Mr. Ture. It's a pleasure to welcome a former staff member of the committee.

Having said that, we will recess for a few minutes. I have now to go to the Senate for a vote, and the House Members are voting, too. We expect to reconvene in approximately 10 minutes.

Thank you.

[A short recess was taken.]

Representative **Reuss** [presiding]. Mr. Ture, welcome back to the Joint Economic Committee. I welcome you because you were for some years our brain trust leader and I enjoyed working with you so much. I wonder if you would mind yielding just long enough so that Congressman Wylie could ask Commissioner Norwood a few questions?

Mr. **Ture.** Oh, no. Certainly I would have no objection.

Representative **Reuss.** Why don't you just make yourself comfortable right where you are. Don't move, and Commissioner Norwood, if you would be kind enough to resume the witness chair for Congressman Wylie.

Representative **Wylie.** I want to make the recommendation that we hearken the good news about the inflation rate—and we don't hearken the news about the unemployment rate. The Chairman in his opening statement made the observation that when unemployment goes up, the inflation rate goes down. That observation hasn't always been the case.

As a matter of fact, in 1974 the unemployment rate went up and the inflation rate went up at the same time.

But where is the fine line between inflation control and economic growth and employment? I'm not sure this is the proper question to ask you, but can we have a lower inflation rate and high employment at the same time?

Ms. **Norwood**. There certainly have been times in our history and where the relationships have become much more clouded in recent years, and I think it is rather difficult to pull them out. But I am sure that Mr. Ture will be much better qualified to answer some of the questions than I.

Representative **Wylie**. Yes. I'll ask Mr. Ture that. But to report unemployment statistics, I am sure you have to pay attention to what factors motivate increases or decreases in the unemployment rate. How important are seasonable price variations in the determination of trends in the CPI? Is it possible to make a strong argument that the recent sharp decline in inflation is the result of seasonal factors?

Ms. **Norwood**. No, sir, not at all. There are, of course, seasonal influences on prices. We expect that when agricultural produce is plentiful, that prices would be lower and that as we near the end of a growing season some prices for some commodities will be higher. For many commodities there are changes of season and there are certain periods during a year when their prices move—more or less predictably—higher or lower. So there are some very specific occurrences which happen year in and year out.

In recent years, of course, some of the pricing practices of our American economy have been changing and seasonal adjustment is, of course, a very imperfect art, and we have had difficulty dealing with some of these changes. We do the best we can with it. It is, I believe much harder in the price area than it is in the employment-unemployment area to do a really good job of seasonal adjustments, and I think it's important to look at all of these data. But I think there is no question in my mind that any way you look at the CPI, it has decelerated.

Representative **Wylie**. Thank you.

Now, in your attempt to make adjustments or projections of things, you have to take various factors into account as to what the unemployment rate might be—what is down the road 1 month or 2 months down the road or three months down the road. You do make projections as to what the unemployment rate might be. Is that correct?

Ms. **Norwood**. No; we do not. We believe rather strongly that if we were to engage in short-term forecasting, that we would perhaps become captured by the need to show our skill in that area. We feel it is far better for us to leave short-term forecasting to others to do, both inside the administration and in the private sector, and we try to restrict ourselves to looking at the trends as we see them on the basis of what has actually happened.

Representative **Wylie**. Well, that would have led me to my next question, which may not be appropriate. I happen to think the big increase in the unemployment rate is due almost entirely to the increase or continuation of high interest rates. You do not make any projection or pay any attention to interest rates?

Ms. **Norwood.** Well, it's certainly clear that some of the areas where employment declines have been steep, housing in particular and automobiles, other durable manufacturing have, of course, been affected by the high rates of interest. I believe that's very important. The only point I would make is that I would leave to my friends at the Treasury Department the forecasting of what is going to happen to interest rates in the future.

Representative **Wylie.** Well, I think maybe it's time, from my standpoint, to hear from one of your friends at the Treasury Department.

Thank you very much, Mr. Chairman.

Representative **Reuss.** Commissioner Norwood, thank you for staying here. Now you are excused, and I part with the hope that we will be able to do something about the CPI updating. I am impressed that we should not let those decennial census figures lie fallow, but should get to work on them and see what effect they have on the CPI. As Senator Mattingly pointed out, the CPI is not just an abstraction. It's a very real thing on which millions of dollars hang.

Ms. **Norwood.** Thank you very much.

Representative **Reuss.** Secretary Ture, thank you very much for your patience. As I said, we are honored and delighted to have you here. Senator Jepsen was particularly pleased to be here this morning and he at the moment is gone, but he will be back. I have the impression you do not have a written prepared statement.

Mr. **Ture.** It is with great regret I have to advise you that I had sent up 100 copies of a statement for the record this morning, and apparently they have gone astray, and I do hope they will come back to the fold very shortly.

Representative **Reuss.** Let me say that your full statement, when discovered, will be put into the record. But why don't you proceed, then, as you like.

STATEMENT OF HON. NORMAN B. TURE, UNDER SECRETARY FOR TAX AND ECONOMIC AFFAIRS, DEPARTMENT OF THE TREASURY

Mr. **Ture.** Thank you very much, Mr. Chairman and Congressman Wylie. I am sure you will appreciate it's always a great pleasure for me to have the opportunity to come to the Joint Economic Committee. I have a feeling this was, in a real sense, my alma mater; I worked here very happily for a good number of years and learned a great deal. I hope I did not leave an undue scar on the organization as I took my departure, but it's always a pleasure to come back and have the opportunity to exchange views.

We are talking this morning about inflation and its implications. The best thing and the most important thing to say about it, of course, is the really good news in the economic outlook. The Commissioner's report this morning is an additional piece of evidence that suggests that the inflation momentum is very substantially reduced and we must all take some considerable heart from observing that. It is not merely the downward movement in the Consumer Price Index that is an indicator of favorable developments here. We find the same sort of information in the GNP deflator and the Producer Price Index. Although the numbers vary, they all show essentially the same sort of development, a material decline over the last several months in the rate of advance in the overall level of prices. Clearly, we must all welcome this.

These data very strongly urge that there are no mysterious forces that require inflation to proceed at some inexorably high and vigorous rate. In other words, these data certainly suggest some substantial challenge to the notion of core inflation.

By the same token, there is nothing in these numbers that says we can afford to relax and assume that we are well over the hump on this and that the battle has been won.

In my view, the progress with respect to the war on inflation can be attributed, to some very substantial extent, to the deceleration, in trend terms, in the rate of growth of the stock of money. I think that our ability to continue to progress in holding down the rate of growth of the price level will depend on our capacity to continue to restrict the rate of growth in the stock of money.

I wish my statement were here so indeed you could look at it; what you would find is that the monetary growth path over the past year and a little bit—the last 14 months—has been regrettably quite erratic. For the roughly 7 months preceding October of last year we had the kind of growth path in money stock which I think contributed materially to a slowing of inflationary pressures. Over that period M_1 growth was at an average annual rate of approximately -0.1 percent, and indeed, in 6 of those 7 months the growth rate was virtually zero.

In the 7 months following September of last year, on the other hand, the growth rate in the stock of money, as measured by M_1, has been alarmingly rapid, erratic, to be sure, but at an average annual rate of approximately 8.5 percent, and that certainly is a source of concern.

I think we could be fairly relaxed about it if we could look at these numbers and say, as has been suggested by some, that they are a monetary aberration, a blip on a growth path which is, indeed, much more subdued. I would like to believe that were true, but if you look at the rate of expansion of the monetary base, you find that it has, in fact, over that same 7-month period, increased even more rapidly and it suggests on the basis of that sort of lag relationship that is to be observed, that we are likely to see a continuation of the growth in money stock at, in my judgment, an untowardly high rate for several months to come.

I think that spells the resurgence—or a possible resurgence—of inflationary pressures. I would fervently hope we can get on to a course of very slow, very steady—and I emphasize very steady—monetary expansion in the very near future, and that that policy would be communicated to the financial community, to the business community at large, and to households, and that indeed that policy's consistency can be demonstrated by actual events over the next several months to come. If, in fact, we succeeded in achieving that kind of growth path with respect to the stock of money, I am confident we will be able to cement the progress that has been made to this point in time with respect to the inflation rate, and I think as well it will contribute materially to bringing down the current level of interest rates.

As has been observed and observed very widely, the high level of real interest rates—I put quotation marks around the word "real"—that now prevail and have prevailed for some time past represent a major impediment to the resumption of vigorous and sustainable economic recovery. I subscribe to that view but I do not believe that measures other than obtaining a slow, steady—underscoring that word many, many times—growth in the monetary aggregates will produce the desired decline to a lower level—a significantly lower level in the rates of interest.

I notice an interesting chart which I regret I was not here to hear explained, but gazing at it, I would imagine it represented an effort to establish a relationship between the inflation rate as measured by the CPI and the unemployment rate. I am not quite sure what the data alluded to on the red line are, whether it is an annual average, a lag relationship, or a contemporary monthly observation. But glancing at it, what it would seem to suggest to me is that the relationship, if any, has a negative sign and probably a very low correlation coefficient. I would be very much intrigued to see if anybody has done a simple correlation of the two and what the statistics that emerge from that are.

We have many, many times, all of us, I think, in the past examined efforts to relate unemployment rates and inflation rates on a so-called Phillips curve, and to see whether or not there is a steady, reliable relationship there. I have never found one. Nobody that I know of who has done so has been able to establish one. I don't want to make categorical assertions that there isn't any relationship there at all, but I suspect it's precisely the opposite of what is generally surmised; that is to say, I think high inflation and the expectation of it probably impairs employment conditions, whereas an expectation of a low inflation rate probably is highly constructive in terms of improving labor market condition.

Let me very briefly amplify on that point and then make myself available for questions. I think that the prospects for a sustained and wholesome recovery in the U.S. economy will be greatly heartened if all of us, and particularly the decisionmakers in the private sector, can be convinced that the high inflation rates of the recent past are a thing of the past and that we will be enjoying relatively low inflation rates for some considerable time to come, because unless one believes that those who supply labor services and those who buy them are continuously confused between nominal and real returns for the provision of labor services, there can be nothing about a high inflation rate that encourages the increase in the supply of labor services or makes them more in demand. On the contrary, inflation must certainly, by virtue of the interaction with the tax system, act to deter the provision of labor services and therefore impair employment conditions.

I would be happy to be as responsive as I can to any questions you may have.

[The prepared statement of Mr. Ture, together with attached charts, follows:]

PREPARED STATEMENT OF HON. NORMAN B. TURE

Mr. Chairman and Members of this Committee:

I am pleased to be here today to discuss with you the economic outlook, with particular attention to inflation. High inflation rates raise production costs, interest rates, and tax rates. Inflation distorts economic signals, impairs efficiency in market performance, and erodes productivity. Inflation must be brought under control and kept at the lowest possible rate if we are to have a sustained economic expansion. Reduction of inflation is one of the principal economic goals of this Administration.

Recent price data show that the economy is progressing toward this goal. Measured by the overall GNP deflator, inflation was 7.3 percent from 1981-I to 1982-I. This is a deceleration of over 2-1/2 percentage points from the 9.9 percent inflation rate from 1980-I to 1981-I. Even more encouraging, the price level grew only at a 3.5 percent annual rate in the first quarter of this year from the fourth quarter of last year. These data indicate that inflation has decelerated significantly. They strongly urge that there is no inexorable force requiring us to suffer high inflation rates. The inflation rate can continue to fall in the foreseeable future.

Whether inflation will continue to decelerate as fast as it has recently depends primarily upon the behavior of the money supply in coming months. The rate of growth of the money supply is the central determinant of the inflation rate. The total quantity of money in the economy at any time, adjusted by the rate at which it circulates, that is, its velocity, determines the level of demand for goods and services. When the money supply grows too fast such that nominal demand increases relative to the supply of goods and services, prices are bid up and inflation accelerates. Hence inflation can only be controlled by a policy of steady, moderate growth of the money supply.

Factors other than money may affect inflation, but these factors are far less important than the money supply, and are mostly of a very short-term nature. Unexpected changes in conditions of supply affecting broad categories of production may confront institutional barriers to quick adjustments. Price increases in these output categories may not be promptly offset by declines --- or slower increases --- elsewhere. For a brief period, the overall level of prices may rise more rapidly.

It is sometimes argued that Federal deficits cause inflation. There appears, however, to be no relationship between deficits and inflation; if anything the link appears to be opposite to that expected, with times of high deficits, which tend to be times of weak economic activity, associated with low inflation rates. Indeed some significant part of the increase in the projected deficits over the next several years is attributable to the sharp deceleration in inflation in recent months.

The connection between this recent deceleration of inflation and growth of the money supply can be seen in Chart I. The chart shows the level of M1 in billions of dollars since the beginning of last year. From late February of last year until late September, M1 growth was highly restrained --- an annual rate of 2.2 percent. Indeed, from mid-April through September, M1 exhibited virtually no growth. The recent favorable inflation behavior can be traced to a great extent to this period of highly restrained monetary growth.

Continued moderation in the growth rate of money is required if the favorable inflation performance of recent months is to be maintained. However the chart shows that since September of last year, M1 growth has accelerated. The annual growth rate of M1 over the 31 weeks since September has been 8.6 percent, a substantial acceleration over the 2.2 percent growth rate during the 31 weeks prior to the end of September. 1/ This recent acceleration of M1 is cause for

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1/ These growth rates were computed by log regressions on a time trend.

some concern. If M1 continues to grow at this rate, there is a substantial danger of a resurgence of inflation.

It has been argued that an acceleration of monetary growth should be permitted at this time in order to stimulate a recovery from the recession. This reflects a view that monetary expansion systematically results in an expansion of real output and income. But this could be true only if monetary expansion somehow increased real rewards for supplying production inputs or if people were consistently fooled into confusing increases in nominal and increases in real rewards for working and saving. Otherwise, undue monetary expansion leads only to increases in the price level. In the past, efforts to stimulate the economy by an easy monetary policy have brought about more inflation, and this in turn has helped cut short the economic expansion and led to another recession deeper than the previous one. A policy of excessive monetary expansion during recessionary periods has only helped bring about accelerating inflation in combination with ever deeper recessions.

In the present situation the temptation to accelerate expansion of the money supply should be resisted, especially since there are so many signs that the economy is ready to recover without faster monetary growth. For one thing, excess inventories are being worked off. This typically happens near the end of a recession. Moreover, final sales in real terms increased in the first quarter, providing further evidence of an upturn in the near future. Automobile sales have also risen recently and interest rates have fallen over the past several months, reflecting a more optimistic assessment of investment opportunities. This is another sign of the beginnings of an economic expansion. Finally the tax cuts of last year, and more importantly, those scheduled to go into effect this July increase the incentives to supply the labor and capital services which are needed for increasing production. It would be a bad mistake to reignite the fires of inflation by pumping up the money supply, thereby obstructing economic recovery.

The best way to bring about recovery is to restrain monetary growth to a noninflationary rate.

There are those who maintain that the process of economic recovery, in and of itself, will regenerate inflation. This view is mistaken. An examination of previous business cycles leads to the conclusion that if money is kept under control the inflation rate during the typical recovery is relatively low. The inflation rate, measured by the GNP deflator, in the year before the 1975 recession trough in the first quarter of 1975 was 10.9 percent. In the first year of recovery after that trough the inflation rate was 5.9 percent and in the second year it was 5.2 percent. Similarly in the year before the trough in 1970-IV the inflation rate was 5.0 percent; in the two succeeding years it was 4.7 percent and 4.3 percent. One of the reasons why inflation is relatively low during a recovery is that productivity and output grow strongly, especially in relation to the growth in money; prices therefore tend to rise more slowly. Moderate, steady monetary growth is consistent with a strong noninflationary expansion in the near future.

In the present economic circumstances no discussion of inflation is complete without some remarks about interest rates. It is well known that interest rates rise in inflationary periods as lenders attempt to protect themselves against inflation-induced reductions in value of the dollars used to pay the interest and principal on the loans. To bring about lower interest rates, it is necessary to get inflation and inflation expectations down.

Since inflation depends mostly upon the rate of growth of the money supply, there is a relationship between the rate of growth of money and interest rates. This relationship is illustrated back to the beginning of last year in Chart II, which depicts the bank discount rate on three-month Treasury bills and the annual growth rate of M1 over thirteen-week periods (again computed by log regressions on a time trend). The chart shows that changes in the bill rate followed changes in the monetary growth rate after a short lag. Early in 1981 monetary growth accelerated and the bill rate followed upward shortly thereafter. Then M1 growth decelerated and the bill rate fell too.

Since last September M1 growth has accelerated again, and as a consequence the bill rate and other interest rates have risen. It follows from this analysis that low interest rates for a sustained period can be had only if inflation is low also. And a low inflation rate requires a restrained growth in the money supply. If M1 continues to grow at the rates experienced since last September or accelerates even more, it is unlikely that interest rates will fall very far in the near future; indeed, they are likely to respond to significant upward pressures arising from renewed inflation expectations.

Low inflation alone is not enough to bring about low interest rates. In the current situation inflation has decelerated but interest rates remain relatively high, with the result that "real" interest rates are at some of the highest levels in recent memory.

The explanation for such high "real" interest rates is not the magnitude of projected Federal deficits, as some argue, because there is no statistically significant relationship between Federal deficits and the real interest rate. Rather, a large part of the explanation lies in the increasing volatility in the growth rate of money in recent years.

When monetary growth is more volatile it is more difficult to forecast future monetary growth; by the same token, it is more difficult to forecast future inflation. When the future price level is more uncertain, the real value of the future dollars to be earned from any investment is more uncertain too; each investment project becomes riskier. In order to protect themselves against this risk, prudent investors increase the risk premium in interest rates. Hence the recent increase in monetary volatility has brought about a greater risk premium in interest rates, and this is a prime source of the high "real" interest rates currently prevailing. It is these high real rates which act to dampen investment and hinder recovery. A major focus of our concern about interest rates, therefore, is to reduce the risk associated with volatile, hence unpredictable growth in M1.

The recent increased volatility of monetary growth is illustrated in Charts III - V. They show annual growth rates of M1 over three-, six-, and twelve-month spans back through 1978. (The growth rates are computed by log regressions on the respective time trends.) All three charts show a marked increase in volatility since 1979. Even the twelve-month growth rates, shown in Chart V, which are smoother than those in the other two, show this volatility.

Because of the influence of monetary volatility on investment and lending risk, it is not enough to have moderate monetary growth in order to bring about low interest rates. In addition monetary growth rates must be steady over time. The proper goal of policy is not merely a low year-over-year growth rate, but as well a steady rate of growth through time.

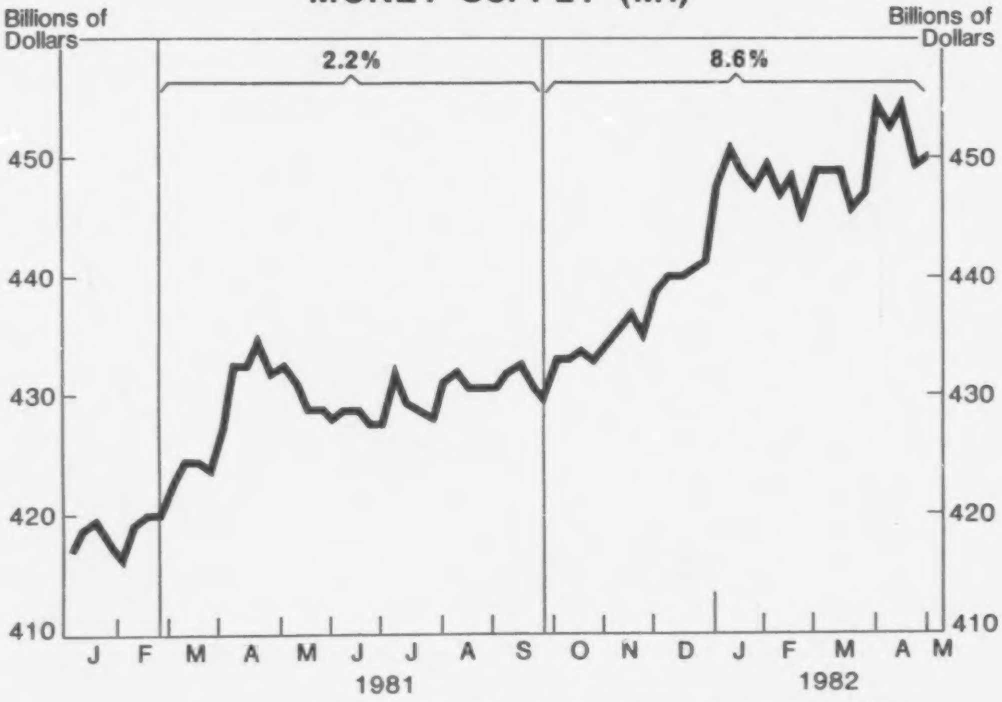
Finally, let me emphasize the importance of tax indexing in order to reduce the economic distortions of inflation. Without indexing, inflation increases marginal tax rates, and widens the wedge between what producers pay for their inputs and what the suppliers of these inputs receive. As a result the real cost of these inputs to producers rises and the real return to suppliers falls, and there is less supply and production.

The following figures provide an example of these effects. A worker earning a median income has at this time a marginal tax rate of about 40 percent to 44 percent, where taxes include social security, Federal income taxes, and state and local taxes. To compensate this worker for a $1.00 increase in the cost of living, a firm must now pay more than $1.70. In the late 1960's it would have cost $1.40, and without indexing it will rise to $2.00 by the late 1980's and to at least $2.50 in the 1990's. In such a situation real after-tax wages tend to fall even as nominal pretax wage rates rise, bringing about less employment, lower productivity, and general stagnation. It is essential that inflation be prevented from raising marginal tax rates. The indexing provisions enacted in the Economic Recovery Tax Act must be retained. They cannot, to be sure, prevent inflation and the distortions it imposes on the economy. Nor does indexing itself undo the distortions imposed by taxation itself. It does, however, prevent the cumulative interaction of these two sets of distortions. As such, it is one of the most constructive changes in the Internal Revenue Code enacted since the inception of the income tax.

We have been going through troubled and uncertain times. The brightest development in recent months has been the material deceleration in inflation and the promise therein for a solidly based recovery. We must be at pains in our public policy work to preserve and extend these gains. Above all, let us not lose them by resorting to an expansionary monetary policy in a misguided effort to bring interest rates down.

Chart I

MONEY SUPPLY (M1)



Note: Percentages are compounded annual growth rates computed by log regressions on a time trend.

Chart II

THE THREE-MONTH TREASURY BILL RATE AND GROWTH OF M_1

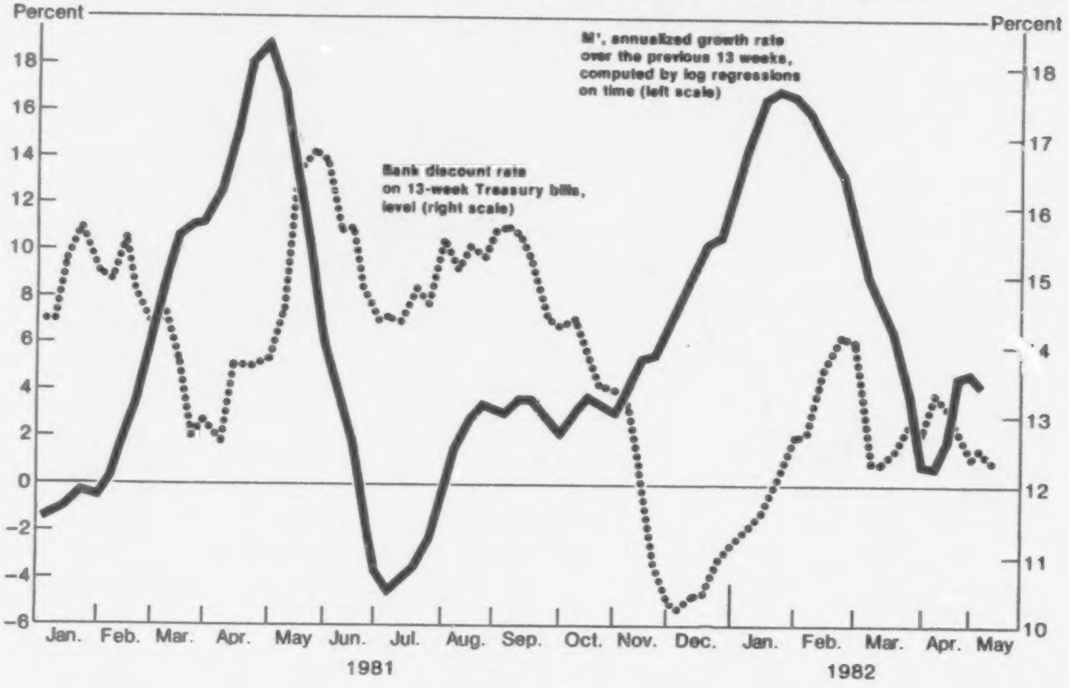


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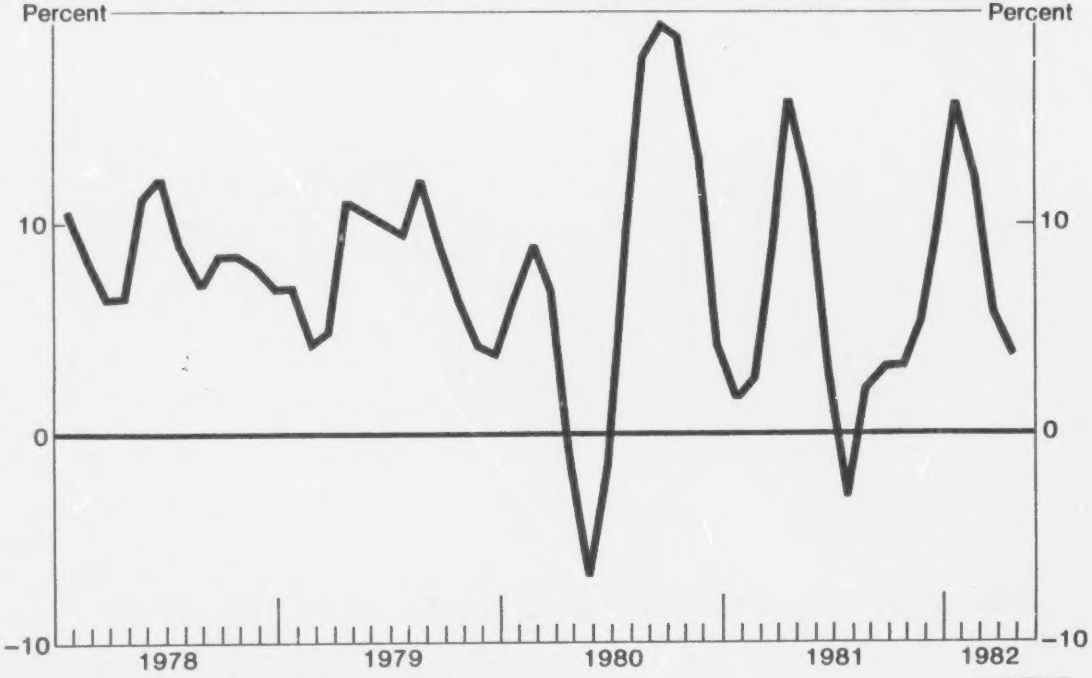
Chart III

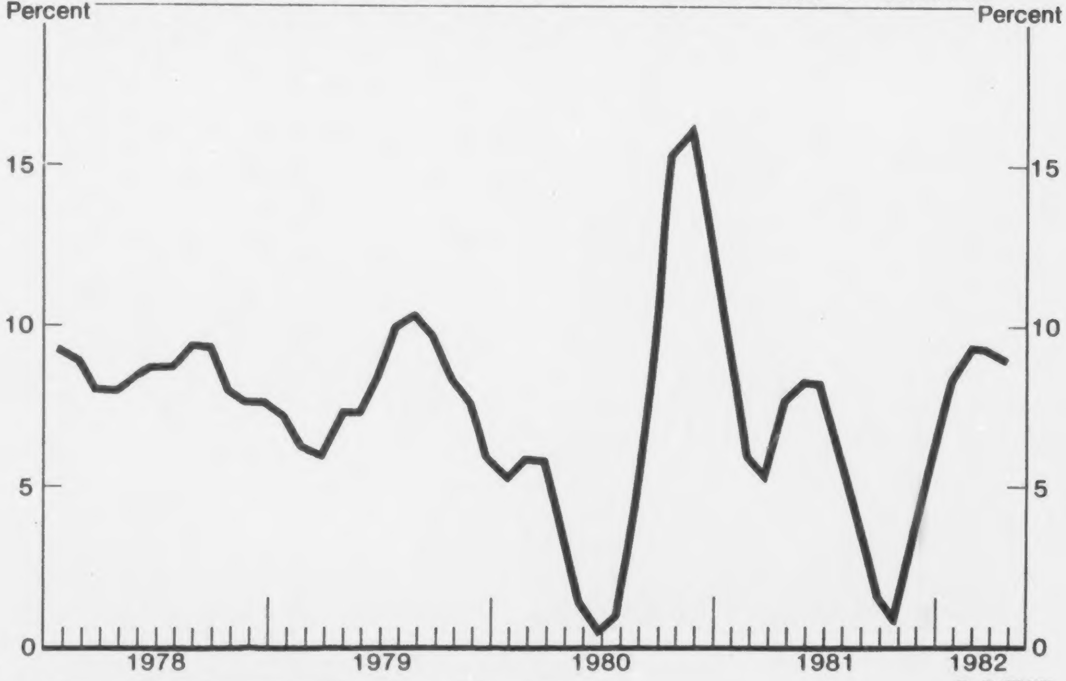
GROWTH OF M1 OVER THE PREVIOUS THREE MONTHS



Note: Growth rates are compounded percent changes at an annual rate computed by log regressions on a time trend.

Chart IV

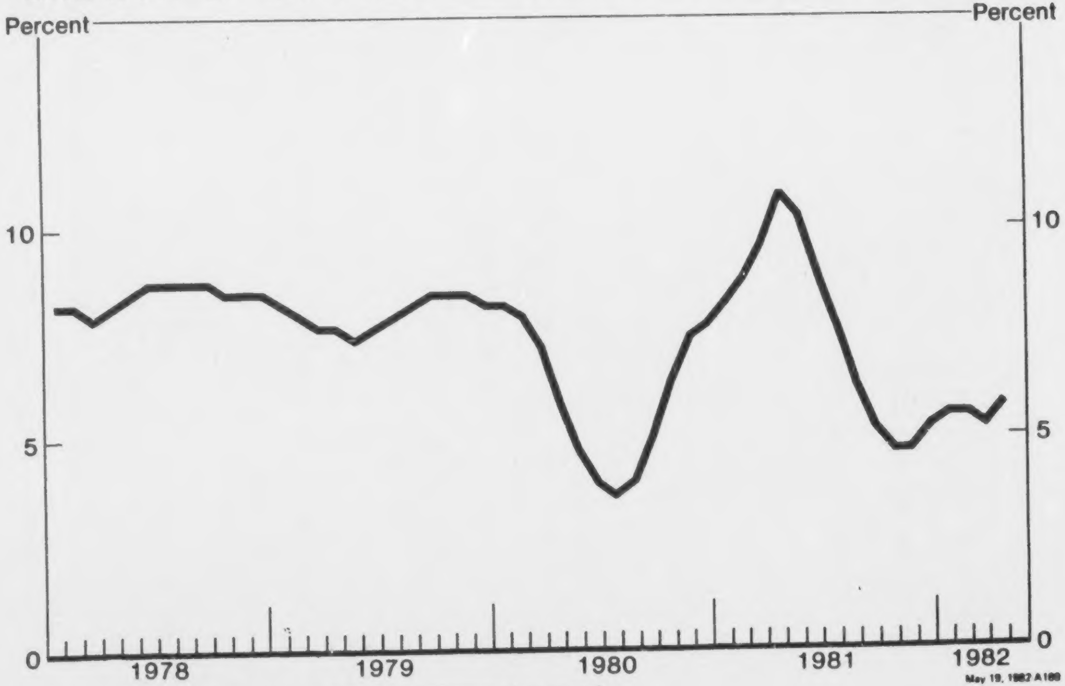
GROWTH OF M1 OVER THE PREVIOUS SIX MONTHS



Note: Growth rates are compounded percent changes at an annual rate computed by log regressions on a time trend.

Chart V

GROWTH OF M1 OVER THE PREVIOUS TWELVE MONTHS



Note: Growth rates are compounded percent changes at an annual rate computed by log regressions on a time trend.

Representative **Reuss**. Thank you. I will be delighted to recognize Senator Jepsen.

Senator **Jepsen**. I yield to Congressman Wylie.

Representative **Reuss**. Congressman Wylie.

Representative **Wylie**. Thank you, Mr. Chairman.

Mr. Ture, you alluded to a question which I asked Commissioner Norwood a little earlier. That is, the relationship between unemployment and inflation.

Is there, in fact, such a relationship?

Does increased inflation necessarily mean more employment, and an increase in unemployment necessarily mean a decrease in the inflation rate?

I think the chairman, in his opening statement, said that he thought that the reason for the decrease in the inflation rate right now was because of the increase in the unemployment rate.

Have you found a relationship between unemployment and inflation in your studies?

Mr. **Ture**. The answer is no. Every time that we have tried to map Phillips curves, they come up looking very much like those maze puzzles that kids, including me, love to play: "Enter here. See if you can find your way out, without crossing a line." They wander all over the place.

I think that looking at them does not necessarily suggest that there cannot be some momentary impact, by the change in people's expectations about price levels, in unemployment conditions; but it would have to be momentary.

There certainly is no stable long-term relationship. And, in an abstract analytical sense, the relationship should be the reverse. That is, the expectation and the realization of high inflation rates should deter rather than enhance employment conditions.

Representative **Wylie**. You commented on the relationship between the money supply growth and inflation in your statement.

How do you assess the Fed's performance, so far as you have been Under Secretary?

Mr. **Ture**. Well, when one looks at the long-term performance—that is to say, year over year measures of change—one has certainly to endorse the Fed's performance. That is to say, we have, over the last 2 years, made significant progress in reducing the year-long rate of expansion of the money stock.

What I find highly regrettable about that is that the path from one year to the next hasn't been a good deal steadier. On the contrary, it has been highly erratic.

If and when my prepared statement for the record ever appears, you will find some charts at the end of the prepared statement which present measures of the growth rates, at annual rates, over 3-month, 6-month, and 1-year periods, of the monetary aggregate M_1. And what they show is something that looks very much like a roller coaster.

I think that the high degree of volatility, enormous variability in the growth path of the stock of money, has contributed very substantially to much higher risks of taking positions in fixed financial contracts; and those much higher risk levels have contributed—I can't estimate with any precision—very substantially to the high level of interest rates.

Visitors in my office, from one or another firm in the financial community, have opined that perhaps as many as 500 or 600 basis points in interest rates can be attributed to the volatility in the growth of the money stock. I can't myself either validate or refute those estimates. They sound at least reasonable to me.

Some of the work that we have had done in the Treasury suggests that a substantial fraction of the high real rates may be attributable to that volatility. Some of the work which has been done by some of our outside consultants, using different estimation techniques, come up with essentially the same result.

So, I would very strongly urge, not that the Fed should give up its efforts to reduce, through time, the rate of growth of the monetary aggregate, but rather, encourage them as vigorously as any of us possibly can, to move to a much steadier path toward that desired objective.

Representative WYLIE. I happen to think that the real cause of the increase in the unemployment rate is high interest rates. And I hear what you say about the variability of the monetary supply, vis-a-vis the interest rates.

How serious or severe is the large budget deficit and high interest rates?

Mr. TURE. As you are, I'm sure, aware——

Representative WYLIE. That's the debate going on right now.

Mr. TURE. Yes. There is a very popular view, widely entertained, that the current high levels of interest rates are due to the current and prospective high budget deficits. And that is a subject which I and my associates in the Treasury, and a good number of people outside of the Treasury, have turned their attention to.

I have tried to take a balanced position about this, Congressman Wylie. And where I come out on it is: It may be that people's perceptions of what is likely to happen if the deficits are not reduced would be conducive to high and increasing inflation expectations, which would reinforce today's high interest rates. I would concede that as a possibility.

But when you evaluate the possibilities of that, the only thing you have to rely on, aside from abstract reasoning, is the historical record. The historical record denies that relationship. It shows no relationship between the size of the Federal deficit and the level of interest rates.

It shows no relationship between the change in direction, or the magnitude of change, in the Federal deficit and the level or the change in interest rates. It shows no relationship between the amount of the Federal deficit and the amount of funds raised by the Federal Government in the credit market. It shows no relationship between the amount of money raised by the Federal Government in the credit market and total funds raised in the credit market. It shows no relationship between the ratio of Federal-to-total funds raised in the credit market on the one hand, to the level or direction of change in interest rates.

Now, that strikes me as a fairly persuasive body of statistical results, which would suggest that there is not much relationship between deficits and the direction or level of change in interest rates.

One must be sufficiently objective to allow for various possibilities; and I'll offer that objective vision right now:

It is possible that at this time, and by virtue of the difference in circumstances, people's expectations are that circumstances will be different in the future, that the level of deficits that are foreseeable, unless very drastic actions are taken, will exert pressures on the Fed to monetize these deficits to an untoward degree, and that will generate a resurgence of inflation.

And one can anticipate that, by keeping interest rates high. To repeat, that is a possibility.

Representative **Wylie**. I was asked a question, by the Chamber of Commerce, at a meeting I attended recently, about inflation rates coming down so rapidly: Why don't interest rates follow?

I responded that the high budget deficit, and the expectation that the deficit was going to remain fairly high, were the probable reasons for a difference between the inflation rate and the interest rate of 4 or 5 percent or so.

Mr. **Ture**. To repeat, I can't categorically deny that. But I have to, in all honesty, express some skepticism about the explanatory value of the deficit, actual or prospective, with respect to the direction and change in the level of interest rates.

It seems to me that what you would find, looking at the track record of the growth in the money stock, is that, during a period last year—from, roughly, the end of March to the beginning of October—it showed very, very little change in the stock of money.

What you found was that during much of that period, particularly during the last part of it, interest rates were coming down, not at a precipitous rate, but coming down very significantly.

Since November—say, within 1 month or 6 weeks after the turn in the increase of money stock got under way, since the acceleration of the growth of the money stock began—we have had a firming up of interest rates. There was an upward movement that went on into early this year.

And it has only been in the last few months that there has been an inching down. Now, that direction of change is wholesome, and I think it could be reinforced, irrespective of the outcome of the budget decisions.

It could be reinforced by appropriate developments in monetary policy; that is, a demonstration of an intention and a capacity to implement that intention, of getting the money growth path onto a slow and steady track. I think that that will bring rates down, and bring them down smartly.

Representative **Wylie**. Thank you very much, Mr. Chairman.

Representative **Reuss**. On just that point, Mr. Ture, I am interested in your statement that since September or October, the money supply has grown at a rate of 8.5 percent, hasn't it?

And you have suggested that the high interest rates we now have—and I thoroughly agree with Congressman Wylie that those are a leading cause of our troubles—you suggested that that set of unacceptably high interest rates is due to that 8.5 percent money growth going on for 6 or 7 months.

Apologists for the monetary authorities are sometimes heard to say: "Don't worry. We have in place M_1 targets of 2.5 to 5.5 percent; and those targets are reasonable, aren't they? Therefore, what are you worrying about?"

What would your answer be to that?

Mr. TURE. Well, targets are not much good if you're seldom on them. I think that this committee deserves an enormous amount of credit—I don't have to give it to you; it's there—for having increased the community at large's perception of the need to establish realistic goals for monetary policy, rather than having it perform in an entirely will-o'-the-wisp sort of way, and at random; and the emergence of targeting as a part of monetary policymaking, I think, is certainly a wholesome development.

Now, what needs to be done is to get on those targets something more often than sometimes.

I have always been amused, were it not for the fact that it's so serious an outcome, to see, as you put it, apologists for the monetary authorities say: "Well, if you measure it from December to December, give or take a week or so, we make the target." That's connecting two points in time and ignoring all the phenomena in between.

If you could follow a bounding ball—this is point 1 and this is point 2, and everything looks like so around it—that doesn't tell you that you're on the target or anywhere near that growth path. You have two points through time that are reasonably good, and there are a great many other points in time which are good, bad, or indifferent, as the case may be.

I come back to emphasizing the steadiness of the pursuit of those targets, as well as the year-over-year results, which I think is enormously important. I would say that it was not merely the acceleration in the growth of the money stock in the last 7 or 8 months that's relevant; it is also the high degree of volatility which I believe people in the financial community have now come to expect, which has contributed to keeping real interest rates at an extraordinarily high point.

Representative REUSS. I believe that what you're saying—please correct me—that reasonable targets are a good thing, but run for a considerable period of time, not just a few weeks. This tends to make the performance of the monetary authorities credible; and the lenders of money, perceiving that the targets are indeed close to being met, decide that they're not going to have to demand an uncertainty premium on their interest rate. And that premium is now a large part of the outrageous high interest rates.

Mr. TURE. That's very well put, sir.

Representative REUSS. You agree?

Mr. TURE. Yes. I call it a premium for downside risk. I'm sure that the vernacular changes, depending on who you're talking to, but I think the thought is very, very widely entertained, particularly in financial circles.

Representative REUSS. Let me now turn to a couple of other matters within your expertise.

Let me yield right now to Senator Jepsen.

Senator JEPSEN. Thank you, Mr. Chairman. I must leave to vote, and I expect there to be another vote after that, so I think I am going to have to give up trying to race back and forth between here and the Senate. Mr. Ture, it is a pleasure to welcome you as an old friend and former staff member of this committee, and as one of the country's leading economists. You have told us for many years, year-in and year-out—you have been very consistent—that high taxes and high money growth mean higher unemployment and higher inflation. History has proven you to be absolutely correct.

You know, today unemployment is too high and many people are suffering. They are not worried about getting ahead; they are worried about just keeping up. In fact, out in my region they are worried about getting the crop in. The question that we are debating now before both Houses is do we trade the misery we may have right now for future misery by foolishly trying to trade unemployment for inflation—that is, the quick fix—or do we give this economic recovery program a chance to work?

I think the solution is much more economic. We need to keep on course. I don't think that the numbers and the theories and the graphs and projections or any of that means much to the people of this country. They can feel unemployment, and they can feel the tightening of belts, the increasing cost of living. The last thing they need is an economist who tells them how they feel. What they want most of all is the Government to show the public that it knows where it is going and will not change course every 6 months.

When the people have retained their confidence in the Government, I think we are going to see all kinds of things happening, because the signposts, with the exception of unemployment, are all in place. Inflation has markedly decreased, savings by both institutions and individuals is healthy and moving in the right direction.

Interest rates are not low, but have been adjusting downward in the right direction. Inventories are low, and in my State many industries are hiring back. Hog prices, cattle prices are the best they have been in a long time and continue to move in the right direction. Grain prices are moving in the right direction. I think this has turned around. But it is not going to happen overnight. It took us, depending who you talk to, 26 to 40 years to get where we are.

Mr. Ture, I thank you for appearing, and I thank you, Mr. Chairman, for permitting me just a few minutes to put some things in the record.

Representative REUSS. We welcome Mr. Ture's presentation here. It is largely through your suggestion and I am grateful to you, Senator Jepsen, for making it and sorry your duties on the Senate floor keep you from staying with us.

Senator JEPSEN. We are trying to provide a signal of confidence to the people of this country. They are looking for that signal, and they have got every right to expect it.

Representative REUSS. I wish you good fortune.

Mr. Ture, I ask you to respond to a couple of matters within your economic affairs portfolio, although they aren't directly related to inflation. Number one concerns a friendly exchange of correspondence which I have had with the Treasury Department for many months, starting last fall. I wrote the Secretary, and I sent you a copy, last July, saying that we of the Joint Economic Committee would be much helped if the Treasury could work up for the various tax expenditures listed in our budget proceedings, information concerning the breakdown of those tax benefits by various income groups.

The Treasury quite reasonably told us my summary was indeed burdensome, and so we didn't press you on it. But as months have gone by, and particularly as the budget debate, which is now going on, approached, my letters became more plain and direct. And just the other day your associate, Mr. McNamar, wrote to say that he didn't think the Treasury could do it or could do it very soon.

Well, I plead with you to get the Treasury staff, which is excellent and which has a lot of people who have been there for 7 or 8 years and who thus did the workmanlike job that was done in 1975 and 1978 on this, I would feel very good if I could have some expression, despite difficulties, that the Treasury staff would do what it can to satisfy a real need.

This is particularly true because the Tax Act of last summer contains some 29 new tax expenditures, many of them in my judgment very sensible ones, but we do need to know in evaluating them all who basically gets the benefit of them.

Some are widely shared in all income groups. Others, however, such as the old deduction for State gasoline taxes, for example, and others only benefit people in upper income groups. This kind of information is very useful to us. Couldn't we reach some kind of a friendly agreement here that the Treasury will, within a reasonable time, produce what it can and give us, as the Treasury did in 1975 and 1978, its methodology. Sometimes it involves something less than an ironclad methodology.

Mr. TURE. Well, first of all, let me express my regret about the fact it was so extended a period of time between the time of your letter making a request and the time you heard from the Deputy Secretary McNamar the other day. I think, as he explained, there were a number of circumstances which contributed to the fact that we have not yet delivered to you materials that would be responsive to your request. I think he also explained to you that he shared the view that we ought to try to produce an analysis of the sort you are looking for.

We will attempt to address resources to it, but we have not had the resources available. I tell you that without any reservation as to its complete objectivity and influence. We have a very good staff, and I am glad that you do appreciate that. They are seasoned, on the whole, and they are extremely capable and good economists, and they are enormously overworked, and they have not been able to realize that hiatus that sometimes occurs during the course of a legislative year.

When the legislative effort is over, they can turn to all things that have accumulated as a result of the legislative effort and discharge their obligations. This time around they were scarcely done with the Economic Recovery Tax Act when they started with the Revenue Enhancement Act. Then they started with the revenue enhancement and the other tax legislative efforts which have been forwarded to Congress.

That is a continuing call which, as I say with great regret, has overworked and nearly exhausted their capability to take on a lot of other chores.

Now, apart from that. I think that in talking to some of them, they have some really difficult conceptual measurement problems to deal with, and I would ask your indulgence in my trying to explain them to you. I am not going to hold myself out as being as expert as many of them would be to be able to examine those in detail, but let me give it a college try and urge that whatever the nature of the results that ultimately reach you, I am sure they will be explained at length, and I would fervently hope they would have the appropriate explanation and the qualifications.

Let me try one of them at this point. At the very best, if you look at our special analysis G, we have attempted to register the caveat about how one might interpret these numbers. One such caveat is that you can look at these only one tax expenditure at a time. The dollar amount of any one of them is likely to change depending upon the sequence with which you order the analysis. That is to say, suppose you have a $20 billion aggregate deduction. Suppose you looked at it after you looked at another $20 billion deduction. Its effect on revenue will differ, depending on whether you look at it before or after. But trying to come to an aggregate measure has turned out to be an estimation task that is beyond our present capability.

Apart from that, what these numbers presented in special analysis G show you are our best estimates of the effects on liability, and they therefore must be interpreted as differing materially from what you properly asked for, that is, effects as measures of ultimate benefits.

In order to be able to do that, we would have to have some device for tracing what happens if such or so a provision in the code were eliminated or modified in some specified way. I warrant we can do that pretty effectively in the abstract, but doing so in a concrete quantifiable sense has proved to be a simply elusive undertaking.

This is a problem of feedback effects, of tracing the consequence of a provision or elimination of a provision through the economy as the economy adjusts to that change in the tax provision. I would subscribe completely to the view that without such feedback effects you get only a very partial measure of the economic impact of tax change, and I would hope there would be virtually universal consensus on that point.

Having said that is what we have to do, it doesn't necessarily follow we have the capacity for doing it. We have been working on it for some considerable time. I think we are making a major approach to being able to do it at least, you know, in a fairly gross sense. At this point I don't think we can do it in a highly aggregated sense.

Let me give you a single illustration of the point I am trying to make. One of the major, largest tax expenditures included in this special analysis G for the current budget document is net exclusion of pension contributions and earnings in employer plans.

For fiscal year 1981 it was estimated at $23.4 billion, going to $27.5 billion estimated in fiscal year 1983. Suppose, never mind for what reason, one were to say what would happen—and this is the way you tried to measure this number—what would happen if that tax treatment were eliminated? That is to say, if employees were required to include in their current taxable income the amount of their employer's contributions and the earnings thereupon as they are made and accrued. Well, I would not know how to measure the effect of that in the aggregate, let alone how to distribute it among income levels.

My problem would be this: Is it at all reasonable? Is it even remotely conceivable that, if the Congress were to change those provisions of the code that provides for this exclusion, that employees would not insist and employers would have to provide increases in compensation of another form, probably cash wages and salary, to compensate for the loss of those benefits?

In my judgment, it goes without saying such a response would be forthcoming and very promptly. Now if that were true, our question would be: Would the increase in the taxability of employees by virtue of the fact that pension plans would no longer be an attractive device for compensation, that they would be getting cash taxable wages instead, would the increase in their liability on that compensation fall short of or exceed the decrease in liability of employers?

I can't give you an answer to that, but clearly that is the sort of thing we would have to know in order to be confident of the ultimate effect on revenue of this particular provision in the code.

To go beyond that point and say, what will be the income level distribution of that kind of change is an enormous task. Not to say it is an unimportant one or one we just cavalierly dismiss. But I would urge your sympathetic indulgence and a perception of how difficult it would be to give you a meaningful number.

Representative **Reuss**. I think that this has been a very useful dialog, and I have listened intently and I am very sympathetic to your description of what an honest analyst has to say. Still, it would be enormously helpful to the Congress and this committee to receive for each one of these expenditure rubrics a response such as you have just made for one of them. So I think the Congress will be greatly helped by receiving the income group distribution analysis for the various expenditures, even if in some, or even many instances, the Treasury's best effort is to say, "Look, we can't provide you with anything very meaningful because of the problem and commonsense reality." That is just what we need to know, and we really don't have the capability here of making that kind of analysis.

You are the best and possibly the only game in town on that with the superstaff you have. So I would hope we could resolve this matter, which isn't really a constitutional crisis, between us, as follows: why doesn't the Treasury as soon as it can, having in mind the very considerable staff burden, respond to the request which we have made, which essentially asks for the kind of thing which was done in 1975 and 1978. When we receive it, it will be entirely satisfactory if in some or even many instances the Treasury's report, so to speak, throws in the sponge and says we can't really answer that. If you give us your reasons why you can't, it will help us, and in a number of other cases too, if you can come up with some reasonable answer.

Finally, I would hope, without setting a deadline, but it is May—I would hope it would be submitted as soon as possible and, in any event, this year. Does that seem unreasonable?

Mr. **Ture**. No. I think your request is reasonable and, as Secretary McNamar indicated in his reply to you, will try to commit resources as soon as we can get them available and in such quantities and magnitude as we reasonably can as early as we can.

As you were stating, it seems to me, an eminently reasonable position, Mr. Chairman, it occurred to me it might be useful to put this on the table for your response. If we were to arrange for a staff seminar for the people on the staff of the committee with some of the staff people in Treasury to explore the dimensions of the problems that I have only been able very barely to suggest, do you think that would be possible?

Representative REUSS. I think that is a constructive suggestion. We, of course, wanted this study not just for ourselves and the staff but for the Congress, and particularly for the budget process. But there will be another budget next year, and it will be helpful then. I would think that your suggestion is a good one. Perhaps sitting down with our staff and yours should be deferred until your staff has a report close to being finished. Then if our staff feels your staff is being unduly diffident and isn't seizing the bull by the horn, they can say so and there can be some dialog on it.

I think it is an excellent idea. If you would do that, we would welcome it.

[The following information was subsequently supplied for the hearing record by Representative Reuss relative to the above dialog with Mr. Ture:]

THE SECRETARY OF THE TREASURY
WASHINGTON

RECEIVED MAY 1 [illegible]

May 12, 1982

Dear Mr. Chairman:

This is in response to your letter of April 7, 1982, to Secretary Regan, regarding the income class distribution of tax expenditures. I apologize for the delay in supplying you with such information, but continuing work on the 1983 budget has prevented the Office of Tax Analysis from devoting resources to this and other requests.

The Treasury is only able to estimate the income distributions of items estimated from tax return data. Such information is incorporated in Treasury's individual income tax model, which contains detailed tax computation figures stratified by adjusted gross income class. The income distributions of tax expenditures estimated on the tax model are provided each year to the staff of the Joint Committee on Taxation, and these estimates are included by the Committee in their annual tax expenditures report, the most recent of which was published March 8, 1982.

The income distributions of other tax expenditures are not available. Estimates made in 1975 and 1978 of such distributions were based on few or no facts indicating which taxpayers claimed special deductions or exclusions. Although the aggregate value of these tax expenditures can be estimated with some degree of accuracy, since information on the levels of subsidized activities is available, disaggregation by income intervals is highly speculative. No additional detail on these items has become available since 1978, and the enactment of major tax revisions since that time has made distributional analysis even more difficult. After a review of the methodology used to generate the estimates made in 1975 and 1978, the Office of Tax Analysis staff has concluded that the lack of supporting data causes such numbers to be subject to a high degree of error, and thus potentially misleading. Thus, the only reliable information that we can provide to Congress is that based on tax return data and published by the Joint Committee on Taxation.

It is important to note that the published income distributions are those of the taxpayers claiming a tax preference, and not necessarily the beneficiaries of the subsidy. To the extent that a tax subsidy induces activity of the preferred type, the beneficiaries may be persons other than those claiming the benefits for tax purposes. For instance, to the extent that deductibility of charitable contributions results in a level of donations above that which would have occurred absent the tax preference, the ultimate beneficiaries are the donees of the additional contributions. The income distribution derived from tax returns reflects only the income status of those claiming the charitable contributions deduction, and not those benefiting from the higher level of donations.

An accurate distribution of tax expenditures by income class is essential and the Treasury staff will continue to develop the necessary data and methodologies to provide such information. At the present time, however, we feel that reliable estimates are not possible.

Sincerely,

R. T. McNamar
Acting Secretary

The Honorable
Henry S. Reuss
Chairman
Joint Economic Committee
United States Congress
Washington, D. C. 20510

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May 12, 1982

The Honorable Donald T. Regan
Secretary
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

More than 10 months ago, on July 2, 1981, the Joint Economic Committee requested the Treasury to provide an analysis of the distribution of tax expenditure benefits by taxpayer income group. Unfortunately, repeated attempts to arrange for this work have produced nothing.

I have attached the correspondence which traces our dealings with your Department. After initiating the request July 2, I wrote to you on August 3, 1981, asking that the Department also estimate the distributions of benefits for new tax expenditures enacted in the 1981 tax act. As these letters show, we tried to accommodate Treasury on the timing of the project, and agreed to let it wait until the tax bill had passed.

The first and only written response from Treasury arrived on December 21, 1981. Signed by the Assistant Secretary for Tax Policy, John Chapoton, this letter said: "The Department of Treasury is currently reviewing tax expenditures to be included in the fiscal year 1981 budget...Because of the limited amount of time remaining for estimating the aggregate value of tax expenditures, distribution of those items among income classes will have to be delayed until after work on the budget has been completed. This detail will be provided to you at the earliest possible time." Prior to this, relying on assurances from Treasury staff, we had the apparently mistaken impression that the work on our analysis was nearly complete.

Finally, on April 7, two months after the release of the Fiscal 1983 budget, I wrote to you again, expressing my unhappiness with the pattern of non-cooperation from the Department and urging that we work out an acceptable timetable for completion of the analysis. I have not received a reply.

I am now inviting you, accompanied by Treasury staff responsible for tax expenditure analysis, to appear at a hearing at your earliest convenience to discuss this work. Please let me know when during the week of May 17 or May 24 you will be able to testify.

I will look forward to hearing from you.

Sincerely,
Henry S. Reuss
Henry S. Reuss
Chairman

Attachments

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April 7, 1982

The Honorable Donald T. Regan
Secretary
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

On July 2, 1981, I wrote to you on behalf of the Joint Economic Committee requesting that the Treasury Department prepare an analysis of the distribution of tax expenditure benefits by income class. A subsequent letter dated August 3 amended that request to include such estimates for new tax expenditure provisions enacted during 1981. This work is sought by the Committee to update similar studies by the Department in 1975 and 1978, which also responded to congressional requests. It will also serve to supplement the information on benefit distributions for 16 tax expenditures supplied annually by Treasury to the Joint Tax Committee.

I initially agreed to let Treasury delay this project until the Congress had completed its actions on the 1981 tax bill, recognizing that the Department was deluged with work. We accepted the assurances of Tom Vasquez, Deputy Director of the Office of Tax Analysis, that the Department appreciated this accommodation and would then proceed expeditiously with our request.

During September and October, well after final passage of the tax bill, my Committee staff inquired about the status of the project at regular intervals. They were told by Mr. Vasquez that Cynthia Wallace in his office was at work on it. As weeks went by and nothing materialized, the Treasury staff became increasingly evasive. Finally, in December, I received a letter from John Chapoton, Assistant Secretary for Tax Policy, announcing that the requested work would again have to be delayed, this time until after the Department finished its submissions to the fiscal 1983 budget.

It is now two months since the release of that budget and our patience is exhausted. These estimates were due long ago and there is no excuse for further delay. Two weeks ago, Ms. Wallace told my staff that she doubted any work had begun and had the impression that the request had been held up by the deputy assistant secretary, Gregory Ballentine.

I ask that you attend to this matter at once and set a firm timetable for completion of the analyses. Since some of the estimates have already been compiled for the Joint Tax Committee, we think a reasonable date for the rest of the results is May 10. If you cannot assure me that this work will be promptly completed, I will be compelled to call Treasury officials before the Committee to explain their recalcitrance and motives in thwarting this congressional inquiry.

Sincerely,

Henry S. Reuss
Chairman

HSR:me

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July 2, 1981

The Honorable Donald T. Regan
Secretary
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the budget. This has been done most recently in Special Analysis G of the fiscal year 1982 budget, and in a March 16, 1981, report by the Joint Committee on Taxation.

The Treasury prepared a detailed analysis of tax expenditures by income class in 1975 for Senator Mondale, and updated this study in 1978 at the request of Senator Muskie. In light of the rapid growth of tax expenditures in recent years I believe that a further update is warranted, and I ask that you prepare such an analysis. (The report of the Joint Committee on Taxation has some estimates of tax expenditures by income class, but their listing is incomplete.)

I realize that the Treasury is currently busy with work on the tax bill, thus I would not expect Treasury to initiate this analysis until congressional action on the tax bill is complete. The specific details of this request could then be worked out between the appropriate Treasury officials and staff members of the Joint Economic Committee.

Sincerely,

Henry S. Reuss
Chairman

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PAUL S. SARBANES, MD.

August 3, 1981

The Honorable Donald T. Regan
Secretary
Department of the Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

In my letter of July 2, I outlined a general request to the Treasury Department for an updated analysis of tax expenditure benefits by income class. Some of these benefits will have been changed, and others created, by the tax legislation just enacted. Therefore, in addition to the major categories now applicable to individuals (listed in Special Analysis G of the budget), I would like this study to include estimates by income class of the tax expenditure provisions in the final version of the 1981 tax cut legislation.

I understand that after the tax bill has been enacted our staffs will be meeting to discuss the details of this work. I look forward to hearing of its progress.

Sincerely,

Henry S. Reuss
Chairman

DISTRIBUTION OF SELECTED ITEMS OF TAX EXPENDITURES UNDER INDIVIDUAL INCOME TAX, BY EXPANDED INCOME CLASS [1]

[Amounts in millions of dollars; returns in thousands]

Expanded income class (thousands) [2]	Age exemption			Blind exemption			Dividend exclusion		
	Returns	Amount	Percent	Returns	Amount	Percent	Returns	Amount	Percent
Below $5	407	40	1.9	1	(*)	0.0	308	4	0.8
$5 to $10	2,292	368	17.2	27	4	14.3	1,285	19	3.8
$10 to $15	1,787	407	19.1	10	1	3.6	1,343	26	5.3
$15 to $20	955	260	12.1	48	10	35.7	1,236	29	5.7
$20 to $30	1,094	360	16.8	9	2	7.1	2,849	84	16.6
$30 to $50	765	374	17.5	26	8	28.6	3,784	166	32.9
$50 to $100	362	225	10.6	4	2	7.1	2,006	130	25.7
$100 to $200	108	76	3.5	2	1	3.6	457	36	7.1
$200 and over	33	23	1.0	1	(*)	0.0	136	11	2.2
Total	7,804	2,133		128	28		13,403	505	

	Disability pay exclusion			Medical deductions			Real estate tax deduction		
	Returns	Amount	Percent	Returns	Amount	Percent	Returns	Amount	Percent
Below $5	90	52	40.3	308	4	.1	325	81	0.1
$5 to $10	81	45	34.9	1,069	79	2.3	1,522	97	1.1
$10 to $15	31	22	17.0	1,653	155	4.5	1,837	191	2.2
$15 to $20	18	2	1.5	2,362	304	8.8	2,710	374	4.3
$20 to $30	22	8	6.2	5,281	834	24.2	6,823	1,429	16.5
$30 to $50				6,715	1,160	33.7	8,870	3,252	37.5
$50 to $100				2,221	652	18.9	2,849	2,291	26.4
$100 to $200				368	189	5.5	478	725	8.3
$200 and over				91	67	1.9	109	302	3.5
Total	242	129		20,069	3,444		25,523	8,679	

	State and local income tax deduction			State and local sales, personal property, and other tax deductions			Home mortgage interest deduction		
	Returns	Amount	Percent	Returns	Amount	Percent	Returns	Amount	Percent
Below $5	306	8	0.1	429	7	0.15	378	21	0.1
$5 to $10	1,319	59	.5	1,579	48	1.0	1,468	189	1.0
$10 to $15	1,968	131	1.1	2,123	97	2.0	1,458	334	1.7
$15 to $20	2,834	284	2.3	3,232	205	4.3	2,272	863	4.4
$20 to $30	6,761	1,313	10.7	7,497	816	17.0	5,759	3,575	18.3
$30 to $50	8,731	3,952	32.0	9,685	1,927	40.2	7,842	8,564	43.7
$50 to $100	2,810	3,716	30.1	3,202	1,169	24.4	2,369	4,697	24.0
$100 to $200	453	1,682	13.6	587	354	7.4	343	1,065	5.4
$200 and over	100	1,204	9.6	155	170	3.5	71	279	1.4
Total	25,280	12,348		24,489	4,793		21,960	19,587	

See footnotes at end of table.

DISTRIBUTION OF SELECTED ITEMS OF TAX EXPENDITURES UNDER INDIVIDUAL INCOME TAX, BY EXPANDED INCOME CLASS [1]—Continued

[Amounts in millions of dollars; returns in thousands]

	Deductibility of nonmortgage interest in excess of investment income			Charitable contributions deduction			Casualty loss deduction		
	Returns	Amount	Percent	Returns	Amount	Percent	Returns	Amount	Percent
Below $5	6	3	0.04	328	5	0.01	17	1	0.1
$5 to $10	68	7	.1	1,448	31	.40	111	3	.4
$10 to $15	492	82	1.2	2,145	129	1.4	175	21	3.0
$15 to $20	1,308	291	4.3	3,078	249	2.8	282	40	5.8
$20 to $30	3,979	1,297	19.2	7,433	985	11.1	608	108	15.6
$30 to $50	5,829	2,842	42.1	9,545	2,550	28.9	871	243	35.1
$50 to $100	1,360	1,501	22.3	3,081	2,109	23.9	316	173	25.0
$100 to $200	149	509	7.5	503	1,126	12.7	56	60	8.7
$200 and over	20	208	3.0	113	1,652	18.7	18	43	6.2
Total	13,211	6,740		27,674	8,836		2,454	692	

	Elderly credit			Child care credit			Earned income credit [3]		
	Returns	Amount	Percent	Returns	Amount	Percent	Returns	Amount	Percent
Below $5							2,207	658	38.0
$5 to $10	126	21	16.3	172	36	3.4	3,690	1,064	61.3
$10 to $15	235	51	39.5	399	94	9.0	79	10	.6
$15 to $20	109	19	14.7	566	133	12.7	21	4	.1
$20 to $30	53	17	13.2	1,140	266	25.4	4	1	.01
$30 to $50	53	18	14.0	1,495	431	41.2			
$50 to $100	8	3	2.3	221	77	7.4			
$100 to $200	(*)	(*)		17	8	.8			
$200 and over	(*)	(*)		2	1	.1			
Total	585	129		4,013	1,045		6,001	1,736	

	Capital gains deduction		
	Returns	Amount	Percent
Below $5	105	179	1.4
$5 to $10	496	188	1.5
$10 to $15	540	342	2.6
$15 to $20	536	337	2.5
$20 to $30	1,282	1,165	9.0
$30 to $50	1,674	2,539	19.6
$50 to $100	869	3,337	25.7
$100 to $200	228	2,134	16.4
$200 and over	63	2,762	21.3
Total	5,793	12,983	

---

[1] Estimated for the tax law enacted as of Dec. 31, 1981, and at 1981 income levels.

[2] Expanded income equals adjusted gross income plus minimum tax preferences (mostly excluded capital gains) less investment interest expense to the extent of investment income.

[3] Includes the refundable portion of the earned income credit.

* Less than $500,000 or 500 returns.

MUSKIE News

RUSSELL OFFICE BUILDING • WASHINGTON, D.C. 20510 • TELEPHONE (202) 224-5344

CONTACT: Bob Rose

For Release AM's
Monday, February 13, 1978

MUSKIE SAYS BENEFITS OF MANY TAX BREAKS GO MOSTLY TO THE WEALTHY

Sen. Edmund S. Muskie, D-Maine, said Sunday new Treasury figures confirm that the benefits from many tax breaks are concentrated on high income taxpayers.

"The Treasury figures show," Muskie said, "that 31 percent of the $84 billion in tax benefits went to individuals with incomes of over $50,000, who constitute only 1.4 percent of all taxpayers. Of the 69 tax expenditures directly affecting individuals, 20 provided more than half of their benefits to these '$50,000 and over' taxpayers. An additional seven tax expenditures provided more than half of their benefits to the 5.2 percent of all taxpayers with income of over $30,000."

Muskie is chairman of the Senate Budget Committee, which is required by law to review tax expenditures and to devise methods of coordinating tax expenditure legislation with direct spending programs. The Congressional Budget Act defines tax expenditures as revenue losses caused by those Federal tax laws which "allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

The Treasury figures, prepared at Muskie's request, show how $84 billion in FY 1977 tax expenditures are distributed among individual taxpayers in different income categories. The calculations cover 69 different tax expenditures affecting individuals. In addition to these provisions, $28 billion in FY 1977 tax expenditures which directly benefitted corporations are not included in the Treasury income distributions. Estimates of all FY 1979 tax expenditures are even higher, totaling $130 billion--$93 billion for individuals and $37 billion for corporations. However, the FY 1977 Treasury figures are the latest for which income distributions have been developed.

Some of these provisions benefitting higher income taxpayers are among the largest tax expenditures. For example, 68 percent of the benefits from the special treatment for general capital gains ($6.9 billion) went to taxpayers with income over $50,000; 85 percent of the benefits from the tax exemption for state and local bond interest ($1.7 billion) went to taxpayers with income over $50,000. Other major tax expenditures providing a majority of benefits to taxpayers with income over $50,000 include percentage depletion for oil, gas and hard minerals, and accelerated depreciation on housing investments.

Senator Muskie said, "The Treasury calculations support the Carter Administration's contention that its tax reform proposals would improve the progressive nature of the tax system. Several Carter reforms affecting individuals would reduce tax expenditures largely benefitting taxpayers with over $50,000 of income. These include repealing the alternative capital gains tax, offering state and local governments the option to issue taxable bonds, thus reducing the benefits for tax exempt bond purchasers,and tightening the minimum tax,which falls most heavily on capital gains.

"On the other hand," Muskie noted, "some major Carter tax expenditure recommendations affecting individuals would strike hardest at persons with between $20,000 and $50,000 of income. These include limiting the medical and casualty loss deductions, eliminating the deduction for state and local gasoline taxes, and terminating the tax exemption for unemployment benefits received by taxpayers with substantial other income."

Muskie said, "Many tax expenditures effectively implement Federal policies and should be retained. However, since tax expenditures are generally enacted as permanent legislation, it is important that, as entitlement programs, they all be given thorough periodic consideration to see whether they are efficiently meeting the national needs and goals that were the reasons for their initial establishment. The concentration of tax expenditure benefits for higher income taxpayers is a special reason for carefully scrutinizing these provisions."

Muskie noted, "The new budget process already has substantially increased Congressional awareness of the costs of tax expenditure programs, as well as the need to review these programs just as Congress periodically reviews spending programs. There is also a growing understanding in Congress," he said, "of the importance of analyzing the relationships between tax expenditures and direct spending programs which affect the same areas of Federal policy."

Tables prepared by the Treasury showing the estimated revenue loss for each provision by "Expanded Gross Income" class are attached. Expanded Gross Income is a broader concept than the "adjusted gross income" concept that appears on income tax returns. In addition to "adjusted gross income," it includes the untaxed part of capital gains, percentage depletion in excess of cost depletion and other tax preferences subject to the minimum tax; however, it excludes the deduction of investment interest up to the amount of investment income. It therefore comes closer to real economic income than does adjusted gross income.

# # #

Tax Expenditures Affecting Individuals, Fiscal Year 1977
Distribution by Expanded Income Class

($ millions of dollars)

Expanded Income Class ($000)	Benefits and allowances to Armed Forces Personnel	Exclusion of Military Disability Pensions	Exclusion of Income Earned Abroad	Capital Gains Treatment of Timber	Capital Gains Treatment of Iron Ore	Expensing Exploration and Development	Interest on State and Local Pollution Control Bonds	Excess of Percentage Over Cost Depletion	Capital Gains on Coal Royalties	Capital Gains Treatment of Farm Income	Expensing of Farm Capital Outlays
0 - 5	125	10	10	*	*	2	*	3	*	1	2
5 - 10	450	40	30	1	*	3	*	4	1	4	18
10 - 15	270	25	27	1	*	3	*	4	1	9	31
15 - 20	135	15	41	2	*	5	1	7	2	14	37
20 - 30	55	10	102	5	*	8	3	11	4	27	64
30 - 50	45	4	175	9	1	32	7	46	7	51	93
50 - 100	10	1	104	11	1	47	26	70	9	68	78
100 - 200	4	*	40	9	1	45	19	65	7	56	27
200 and over	1	*	16	17	2	65	29	95	14	100	25
Total	1,095	105	545	55	5	210	85	305	45	330	375

Source: U. S. Treasury Department.

($ millions of dollars)

Expanded Income Class ($000)	Deduction for Mortgage Interest	Deduction for Real Estate Taxes	Deduction of Interest on Consumer Credit	Credit For New Home Purchase	Deferral of Capital Gain On Home Sales	Dividend Exclusion	Capital Gains General	Capital Gains at Death	Depreciation in Rental Housing in Excess of Straight Line	Other Depreciation in excess of straight line	Expensing of Research and Development	Exclusion of interest on industrial development bonds
0 - 5	3	6	1	1	9	7	27	29	3	1	*	*
5 - 10	89	75	35	3	27	34	94	99	4	2	*	*
10 - 15	354	280	141	17	151	50	184	194	4	2	*	*
15 - 20	748	535	297	26	230	58	290	305	7	3	1	2
20 - 30	1,613	1,194	641	34	300	111	558	588	12	5	1	3
30 - 50	1,131	1,033	450	15	130	105	1,077	1,134	48	21	4	8
50 - 100	470	679	187	3	30	63	1,429	1,506	73	32	8	29
00 - 200	68	253	27	1	10	17	1,156	1,228	68 75.6	30 75.7	6	21
00 and over	14	150	6	*	3	5	2,085	2,197	101	44	10	32
Total	4,490	4,205	1,785	100	890	450	6,910	7,280	320	140	30	95

($ millions of dollars)

Expanded Income Class ($000)	Excess First Year Depreciation	Expensing of Construction Period interest and Taxes	Investment Credit	Asset Depreciation Range	State Gasoline Taxes	5-year Amortization Housing Rehabilitation	Exclusion of Scholarships and Fellowships	Parental personal exemption for students 19 and over	Charitable contributions for education	Credit for child and dependent care	Jobs Credi
0 - 5	1	1	16	1	1	*	40	5	*	3	1
5 - 10	2	2	144	2	21	*	80	110	2	65	9
10 - 15	2	2	264	4	76	*	60	240	5	97	16
15 - 20	3	3	237	5	136	*	35	193	12	121	14
20 - 30	5	6	388	8	249	1	15	44	25	165	23
30 - 50	21	22	412	20	138	2	10	45	96	41	25
50 - 100	32	34	336	17	50	3	5	88	87	7	20
100 - 200	30	32	160	18	11	4	*	20	98	1	10
200 and over	44	48	118	25	3	5	*	5	200	*	7
Total	140	150	2,075	100	685	15	245	750	525	500	125

($ millions of dollars)

Expanded Income Class ($000)	Exclusion of Employees meals and lodging	Maximum tax on personal service income	Exclusion of prepaid legal services	Charitable contributions other than health and education	Employer contributions for medical insurance	Medical expense deduction	Charitable contributions health	OASDI: Disability benefits	OASDI: Retired workers	OASDI: Dependents and Survivors	Railroad retiremen benefits
0 - 5	5	--	*	2	91	9	*	135	1,085	246	72
5 - 10	30	--	1	54	494	125	10	132	1,061	241	70
10 - 15	70	--	1	204	814	312	20	67	541	123	35
15 - 20	70	--	1	397	1,028	394	40	43	345	78	23
20 - 30	40	--	1	866	1,547	633	100	45	360	82	24
30 - 50	35	*	1	712	882	408	155	32	255	58	17
50 - 100	20	60	*	652	456	221	130	14	118	27	8
100 - 200	8	237	*	423	178	79	135	2	21	5	1
200 and over	2	258	*	625	70	49	200	*	4	*	*
Total	280	555	5	3,935	5,560	2,230	790	470	3,790	860	250

($ millions of dollars)

Expanded Income Class ($000)	Workmens compensation benefits	Disabled coal miners benefits	Employer pension plans	Individual pension plans	Premiums on group term life insurance	Premiums on accident & disability insurance	Capital gains on homes of persons over 65	Additional personal exemption for aged	Tax Credit for the elderly (retirement income credit)	Exclusion of interest on life insurance savings
0 - 5	206	15	38	2	14	1	*	70	30	43
5 - 10	202	14	416	32	76	6	1	304	120	209
10 - 15	103	7	1,030	76	126	11	2	218	50	209
15 - 20	66	5	1,515	115	159	13	4	134	19	207
20 - 30	68	5	2,608	266	239	19	7	151	10	340
30 - 50	48	3	1,672	349	137	11	6	127	1	324
50 - 100	22	1	912	420	70	6	9	92	*	301
.00 - 200	4	*	375	112	28	2	6	33	*	132
200 and over	1	*	149	18	11	1	5	11	*	85
Total	720	50	8,715	1,390	860	70	40	1,140	230	1,850

($ millions of dollars)

Expanded Income Class ($000)	Exclusion of Sick Pay	Unemployment benefits	Exclusion of Trust Earnings-Supplemental Unemployment benefits	Exclusion of Public Assistance	Excess of percentage over minimum standard deduction	Additional personal exemption for the blind	Earned income credit (refundable and (nonrefundable)	Casualty loss deduction	Veterans disability compensation	Veterans Pensions
0 - 5	5	168	1	148	--	1	710	*	38	18
5 - 10	12	382	2	111	--	5	555	14	91	12
10 - 15	30	320	2	33	50	4	--	33	159	4
15 - 20	35	276	2	18	193	2	--	59	163	1
20 - 30	14	223	2	17	250	3	--	61	196	*
30 - 50	8	80	1	3	30	2	--	76	73	*
50 - 100	5	45	*	*	6	2	--	42	21	*
100 - 200	1	6	*	*	1	1	--	16	4	*
200 and over	*	*	*	*	*	*	--	19	*	*
Total	110	1,500	10	330	530	20	1,265	320	745	35

($ millions of dollars)

Expanded Income Class ($000)	G.I. Bill Benefits	Interest on General State and Local Debt	Deductibility other State and Local Taxes	Deferral of Interest on Savings Bonds
0 - 5	75	*	4	17
5 - 10	90	1	80	66
10 - 15	52	7	352	66
15 - 20	22	36	717	65
20 - 30	15	59	1,710	107
30 - 50	4	150	1,796	101
50 - 100	2	533	1,595	94
100 - 200	*	359	766	42
200 and over	*	580	640	27
Total	260	1,725	7,660	585

Office of the Secretary of the Treasury
Office of Tax Analysis

January 19, 1978

* Less than $500,000.

1977 Individual Tax Returns

Expanded Income Class ($000)		Thousands of returns filed (estimated)	
0-5		25,474	28.9
5-10		20,109	22.9
10-15		16,106	18.3
15-20		11,824	13.4
20-30		9,907	11.3
30-50		3,347	3.8
50-100		985	1.1
100-200		198	0.2
200 and over		49	0.1
	Total	87,998	100.0

[From the Congressional Record, June 2, 1975]

TREASURY STUDY SHOWS "TAX EXPENDITURES" WILL BENEFIT WEALTHY MOST

Mr. MONDALE. Mr. President, a Treasury study prepared at my request shows that the benefits from most "tax expenditures"—preferential tax provisions intended to encourage or reward specific activities—are concentrated heavily on taxpayers with the highest incomes.

Of the $58 billion in fiscal year 1974 tax expenditures, over 23 percent went to individuals with incomes of over $50,000, who make up only 1.2 percent of all taxpayers.

The 160,000 taxpayers with incomes of $100,000 or more received an average of $45,662 each in tax relief from the 57 tax expenditures on the Treasury list, while the 9.9 million taxpayers earning between $15,000 and $20,000 saved an average of only $901 apiece, and those from $10,000 to $15,000 saved only $556 each.

Tax expenditures are defined by the new Congressional Budget Act as the revenue losses attributable to Federal tax provisions—

"* * * which allow a special exclusion, exemption or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

The Senate Budget Committee, on which I serve, is required by the new law:

"To request and evaluate continuing studies of tax expenditures, to devise methods of coordinating tax expenditures, policies and programs with direct budget outlays, and to report the results of such studies to the Senate on a recurring basis."

The 57 tax expenditures on the Treasury list include the special tax treatment of capital gains, $6.7 billion; the tax exemption for state and local bond interest, $1.1 billion; excess depreciation deductions, $700 million; the investment tax credit, $880 million; deductions for home mortgage interest, $4.9 billion; property taxes, $4.1 billion; and medical expenditures, $2.1 billion; and a variety of other provisions.

Many of the larger expenditures are very heavily concentrated in the higher income brackets. Over 88 percent of the $1.1 billion in tax relief going to individuals from tax-exempt State and local bonds goes to people with incomes over $50,000.

Over 62 percent of the $6.7 billion tax expenditure from the special tax treatment of capital gains goes to the 1.2 percent of taxpayers with incomes over $50,000, and over 47 percent goes to those with incomes over $100,000.

THE TAX EXPENDITURE CONCEPT

Mr. President, there is a good deal of misunderstanding about the concept of tax expenditures.

The concept is based on the assumption that the main purpose of an income tax system is simply to raise revenue, and that all taxpayers and all forms of income should, as nearly as possible, be treated alike. There are, of course, broad exceptions to this rule, such as the progressive rate structure and the provisions which take into account differing family sizes, but these are considered part of the basic structure of our income tax system.

However, when the Government seeks to use the tax system for other, more limited, purposes—to encourage oil drilling, exports, business investment, home building, and so forth, by giving preferential tax treatment to those who engage in those activities, it is in effect subsidizing them with money that must be made up by higher tax collections from others.

The practical effect is the same as if the Government took a portion of its tax revenues and made a direct grant to those who engage in the activities the Government wants to encourage or reward.

But instead of collecting the money from all taxpayers and granting it back to some taxpayers, it allows the favored taxpayers to keep the money and make it up by collecting more from everyone else.

These tax expenditures are thus a form of Government spending or subsidy, and they should be evaluated on the same basis as other forms of Government spending.

Calling these special tax provisions expenditures does not make them either good or bad. It is meant to be a neutral term, and it is intended only to require us to begin looking at these tax subsidies in the same way we look at other

Federal spending programs. Their practical effect is the same, and they should be judged by the same standards.

Many tax expenditures serve a legitimate purpose and they should be continued. Others need to be examined to see whether they can be restructured so that their benefits are distributed more broadly and equitably. In still other cases, a direct expenditure, loan or guarantee program might work better than a tax expenditure, and we should consider substituting one for the other. And finally, some tax expenditures serve no defensible purpose at all, and should be abolished.

The new budget process will enable the Congress to review and analyze these tax expenditures in the same way we look at other Federal spending programs, so that we can make certain they are serving the purposes for which they were intended efficiently and at the lowest possible cost.

CONCENTRATION IN HIGHER BRACKETS

The concentration of tax expenditure benefits in the higher income brackets is one of the important reasons these provisions must be examined with great care. If the Federal Government is, in effect, going to be spending money to support or reward certain activities, we must determine whether it makes sense to do so under a system which provides the highest benefits to those with the highest incomes.

One reason why most tax expenditures provide more relief to those with higher incomes, is that they exclude or exempt from taxation income which would otherwise be taxed at a taxpayer's highest marginal rate. As a result, the tax benefit from a provision increases as a taxpayer's highest marginal rate bracket increases. For a taxpayer in the lowest, 14-percent bracket—making $5,000 a year—each $100 deduction, exclusion or exemption is worth only $14 in reduced taxes. But for some in the highest, 70-percent bracket—making over $200,000 a year—each $100 deduction, exclusion or exemption is worth $70 in reduced taxes.

This problem could be avoided by changing deductions or exemptions into credits. Unlike a deduction, a credit is subtracted directly from the tax otherwise due, so it is worth the same amount in tax savings to all taxpayers, no matter what marginal tax bracket they are in. A $100 credit would save everyone $100 in taxes, rather than saving the rich $70 and the poor $14.

I have proposed, for example, that taxpayers be given the choice of taking a $200 credit for themselves and each dependent, instead of the present $750 personal exemption. This $200 optional credit would be worth more in tax savings than the $750 exemption to almost all families earning $20,000 or less.

The Senate approved this $200 optional credit earlier this year as part of the Tax Reduction Act, but it was dropped in conference and replaced by a $30 credit which may be taken in addition to the $750 exemption.

The use of a credit rather than a deduction could well be extended to other areas, such as the provisions dealing with home mortgage interest and property taxes. If properly structured, the credit could result in greater tax savings than the present deductions for the great majority of taxpayers.

Mr. President, I would like to express my thanks to the Treasury Department, and especially to Assistant Secretary Frederic W. Hickman and his staff, for their work on this tax expenditure study. These estimates are difficult to make, and the Treasury had many other demands that had to be met at the same time this work was being done.

MODIFICATIONS IN TREASURY LIST

One item is omitted from the Treasury list of tax expenditures which has been included on other lists—the maximum tax on earned income.

The maximum tax is estimated to cost $330 million in fiscal year 1974, and was included in the list of tax expenditures prepared by the staff of the Joint Committee on Internal Revenue Taxation—JCIRT—for the Senate and House Budget Committees.

The maximum tax was instituted in the 1969 Tax Reform Act, and limits the maximum marginal tax rate on earned income—wages, salaries, and so forth—to 50 percent, as compared to the maximum marginal rate on all other income of 70 percent.

Another item—untaxed capital gains at death—was included in the Treasury list at my request, but the $700 million cost attributed to it is far below the $5 billion cost estimated by the staff of the JCIRT.

The reason is that the Treasury assumes a specific limited form of taxation of these gains, and estimates the cost of this provision as merely the revenue gain that would result from this limited form of taxation.

This is not the way the cost of other tax expenditure items is estimated. The $6.7 billion cost of other capital gains, for example, represents the difference between taxing these gains as ordinary income and the present favorable treatment. If the capital gains at death item is measured on this same basis, the cost for fiscal year 1974 comes to $5 billion.

The staff of the JCIRT is in the process of preparing a breakdown of the maximum tax and the capital gains at death items by adjusted gross income class, but this information is not available as yet.

I ask unanimous consent that tables showing a complete breakdown of individual tax expenditures by adjusted gross income class be reprinted in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. MONDALE. This information was supplied by the Treasury. The tables also show the following additional information, which was prepared by my office:

First. The aggregate total of all 57 tax expenditures, broken down by AGI class, along with the percentage of the total going to each AGI class, and to AGI segments (0–$10,000, $10–$20,000, $20–$50,000 and $50,000 and over):

Second. The percentage distribution of each tax expenditure by AGI segment (0–$10,000, $10,000–$20,000, $20,000–$50,000, and $50,000 and over).

EXHIBIT 1

ESTIMATED DISTRIBUTION OF TAX EXPENDITURES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, FISCAL YEAR 1974

Adjusted gross income class	Number of taxable returns [1] (thousands)	Percent of taxable returns		Total tax expenditures by income class (millions)	Percentage distribution	
		By income class	By segment		By income class	By segment
0 to $3,000	4,057	6.1	46.9	$1,085	1.9	16.6
$3,000 to $5,000	7,579	11.3		1,738	3.0	
$5,000 to $7,000	8,273	12.4		2,357	4.1	
$7,000 to $10,000	11,428	17.1		4,403	7.6	
$10,000 to $15,000	15,952	23.8	38.5	8,875	15.3	30.6
$15,000 to $20,000	9,856	14.7		8,881	15.3	
$20,000 to $50,000	9,006	13.4	13.4	17,414	29.9	29.9
$50,000 to $100,000	655	1.0	1.2	6,116	10.5	23.1
$100,000 and over	160	.2		7,306	12.6	
Total	66,966	100.0	100.0	58,175	100.0	100.0

[1] Calendar 1974. Fiscal year 1974 figures are not available.

Adjusted gross income class	[illegible] of benefits and allowances to Armed Forces personnel	Percentage distribution by segment	Exclusion of military disability pensions	Percentage distribution by segment	Exclusion of certain income earned abroad by U.S. citizens (3)	Percentage distribution by segment	Expensing of certain agriculture capital outlays (4)	Percentage distribution by segment	Capital gains treatment of certain agriculture income (5)	Percentage distribution by segment
0 to $3,000	$10	66.1	$1	66.1	$15	48.9	$10	33.6	$10	33.7
$3,000 to $5,000	135		13		13		35		30	
$5,000 to $7,000	160		16		7		60		55	
$7,000 to $10,000	125		13		9		90		80	
$10,000 to $15,000	110	25.4	11	26.1	7	15.6	115	31.9	105	31.7
$15,000 to $20,000	55		6		7		70		60	
$20,000 to $50,000	50	7.7	5	7.7	24	26.7	125	21.6	115	22.1
$50,000 to $100,000	4	.8	*		6	8.9	40	12.9	35	12.5
$100,000 and over	1		*		2		35		30	
Total	650	100.0	65	100.0	90	100.0	580	100.0	520	100.0

ESTIMATED DISTRIBUTION OF TAX EXPENDITURES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, FISCAL YEAR 1974—Continued

[Dollar amounts in millions]

Adjusted gross income class	Expensing of exploration and development costs (6)	Percentage distribution by segment	Excess of percentage over cost depletion (7)	Percentage distribution by segment	Capital gains treatment of certain timber income (8)	Percentage distribution by segment	Deduction of nonbusiness state gasoline taxes (9)	Percentage distribution by segment	Housing rehabilitation 5-year amortization (10)	Percentage distribution by segment
0 to $3,000	*	5.0	$1	6.9	*	12.7	$1	12.6	$2	4.0
$3,000 to $5,000	$1		5		$2		5		*	
$5,000 to $7,000	1		4		2		22		*	
$7,000 to $10,000	2		11		3		81		*	
$10,000 to $15,000	10	22.5	19	13.1	4	12.7	198	47.7	2	8.0
$15,000 to $20,000	8		21		3		215		2	
$20,000 to $50,000	19	23.8	76	24.9	10	18.2	307	35.5	6	12.0
$50,000 to $100,000	13	48.8	62	55.1	9	56.4	28	4.2	14	76.0
$100,000 and over	26		106		22		8		24	
Total	80	100.0	305	100.0	55	100.0	865	100.0	50	100.0

[Dollar amounts in millions]

Adjusted gross income class	Exclusion of scholarships and fellowships (11)	Percentage distribution by segment	Parental personal exemptions for student [illegible] 19 [illegible]	Percentage distribution by segment	Deduction of contributions to educational institutions (13)	Percentage distribution by segment	Deduction of child and dependent care expenses	Percentage distribution by segment	Exclusion of employer contributions to medical insurance premiums and medical care (15)	Percentage distribution by segment
0 to $3,000	[illegible]	64.7	*	22.3	*	0.8	*	17.0	$25 ..	17.5
$3,000 to $5,000	[illegible]		[illegible]		*		$1		73 ..	
$5,000 to $7,000	[illegible]		[illegible]		$1		7		131	
$7,000 to $10,000	41		100		2		31		285	
$10,000 to $15,000	31	25.6	212	52.1	3	6.5	85	77.0	662	44.8
$15,000 to $20,000	19		129		20		92		655	
$20,000 to $50,000	11	5.6	74	11.3	64	18.0	14	6.1	827	28.1
$50,000 to $100,000	*		73	14.4	66	74.6	0		193	[illegible]
$100,000 and over	*		21		200		0		[illegible]	
Total	196		666	100.0	356	100.0	230	100.0	2,940 ..	100.0

[Dollar amounts in millions]

Adjusted gross income class	Deduction of medical expenses (16)	Percentage distribution by segment	Exclusion of social security disability insurance benefits (17)	Percentage distribution by segment	Exclusion of social security OASI benefits for [illegible]	Percentage distribution by segment	Exclusion of social security benefits for dependents and survivors	Percentage distribution by segment	Exclusion of railroad retirement system benefits (20)	Percentage distribution by segment
0 to $3,000	$34	18.7	$44	70.6	$470	70.4	[illegible] ..	70.7	$30	70.6
$3,000 to $5,000	38		43		460		75		29	
$5,000 to $7,000	112		35		380		60		24	
$7,000 to $10,000	264		44		470		75		30	
$10,000 to $15,000	481	40.3	31	18.7	330	18.6	55	18.3	21	18.8
$15,000 to $20,000	376		13		140		20		9	
$20,000 to $50,000	634	29.8	20	8.5	215	8.5	35	8.5	13	8.1
$50,000 to $100,000	148	10.2	4	2.1	45	2.6	5	2.4	3	2.5
$100,000 and over	71		1		20		5		1	
Total	2,129	100.0	235	100.0	2,530	100.0	410	100.0	160	100.0

[Dollar amounts in millions]

Adjusted gross income class	Exclusion of sick pay (21)	Percentage distribution by segment	Exclusion of unemployment insurance benefits (22)	Percentage distribution by segment	Exclusion of workmen's compensation benefits (23)	Percentage distribution by segment	Exclusion of public assistance benefits (24)	Percentage distribution by segment	Net exclusion of pension contributions and earnings: Employer plans (25)	Percentage distribution by segment	Plans for self-employed and others (26)	Percentage distribution by segment
0 to $3,000	$10	26.3	$50	37.1	$25	37.5	$30	100.0	$15	9.7	*	1.3
$3,000 to $5,000	16		80		40		25		50		*	
$5,000 to $7,000	17		100		50		15		110		$1	
$7,000 to $10,000	24		160		80		5		290		2	
$10,000 to $15,000	66	49.4	250	38.1	120	37.5	*		790	37.2	6	7.4
$15,000 to $20,000	60		150		75		*		990		11	
$20,000 to $50,000	57	22.4	200	19.0	100	19.2	*		1,740	36.3	107	46.5
$50,000 to $100,000	4	2.0	50	5.7	25	5.8	*		545	16.8	87	44.8
$100,000 and over	1		10		5		*		260		16	
Total	255	100.0	1,050	100.0	520	100.0	75	100.0	4,790	100.0	230	100.0

[Dollar amounts in millions]

Adjusted gross income class	Exclusion of premiums on group term life insurance (27)	Percentage distribution by segment	Exclusion of premiums on accident and accidental death insurance (28)	Percentage distribution by segment	Exclusion of privately financed supplementary unemployment benefits (29)	Percentage distribution by segment	Exclusion of employer furnished meals and lodging (30)	Percentage distribution by segment	Exclusion of capital gain on house sales if age 65 or over (31)	Percentage distribution by segment
0 to $3,000	$5	16.0	*	17.5	*	40.0	$1	17.1	$1	20.0
$3,000 to $5,000	15		$1		*		4		*	
$5,000 to $7,000	30		2		$1		8		*	
$7,000 to $10,000	65		4		1		17		1	
$10,000 to $15,000	155	46.6	9	45.0	2	60.0	39	44.6	1	20.0
$15,000 to $20,000	155		9		1		39		1	
$20,000 to $50,000	190	27.9	11	27.5	*		50	28.6	2	20.0
$50,000 to $100,000	45	9.6	3	10.0	*		12	9.7	2	40.0
$100,000 and over	20		1		*		5		2	
Total	680	100.0	40	100.0	5	100.0	175	100.0	10	100.0

[Dollar amounts in millions]

Adjusted gross income class	Excess of percentage standard deduction over minimum standard deduction (32)	Percentage distribution by segment	Additional exemption for the blind (33)	Percentage distribution by segment	Additional exemption for age 65 or over (34)	Percentage distribution by segment	Retirement income credit (35)	Percentage distribution by segment	Exclusion of veterans disability compensation (36)	Percentage distribution by segment	Exclusion of veterans pensions (37)	Percentage distribution by segment
0 to $3,000		6.2		46.7	$87	48.3	$1	61.0	$61	43.5	$17	100.0
$3,000 to $5,000	$1		$1		95		18		39		8	
$5,000 to $7,000	13		3		185		22		44		*	
$7,000 to $10,000	64		3		188		20		67		*	
$10,000 to $15,000	645	79.1	3	33.3	185	25.3	19	28.0	102	35.9		
$15,000 to $20,000	352		2		106		9		72			
$20,000 to $50,000	178	14.1	2	13.3	211	18.3	10	10.0	87	17.9		
$50,000 to $100,000	6	.55	1	6.7	56	7.1	1	1.0	10	2.7		
$100,000 and over	1		*		26		*		3			
Total	1,260	100.0	15	100.0	1,150	100.0	100	100.0	485	100.0	25	100.0

[Dollar amounts in millions]

Adjusted gross income class	Exclusion of GI bill benefits (38)	Percentage distribution by segment	Credits and deduction for political contributions (39)	Percentage distribution by segment	Exclusion of interest on State and local debt (40)	Percentage distribution by segment	Exclusion of income earned in U.S. possessions (41)	Percentage distribution by segment	Deduction of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline) (42)	Percentage distribution by segment
0 to $3,000	$34	87.2	*	20.0	*	0.09	*		$1	4.4
$3,000 to $5,000	124		*		*		*		13	
$5,000 to $7,000	60		$1		*		*		55	
$7,000 to $10,000	35		1		$1		*		239	
$10,000 to $15,000	16	9.0	2	40.0	4	2.5	1	60.0	661	24.1
$15,000 to $20,000	10		2		22		2		1,016	
$20,000 to $50,000	9	3.1	3	30.0	98	9.3	2	40.0	2,968	41.7
$50,000 to $100,000	2	.69	1	10.0	389	88.2	*		1,063	28.8
$100,000 and over	*		*		546		*		939	
Total	290	100.0	10	100.0	1,060	100.0	5	100.0	6,955	100.0

[Dollar amounts in millions]

Adjusted gross income class	Depreciation on rental housing in excess of straight line (43)	Percentage distribution by segment	Depreciation on buildings (other than rental housing) in excess of straight line (44)	Percentage distribution by segment	Investment credit (45)	Percentage distribution by segment	Dividend exclusion (46)	Percentage distribution by segment	Capital gain (other than farming and timber) (47)	Percentage distribution by segment
0 to $3,000	$2	10.4	$2	10.9	$1	13.2	*	15.0	$76	[illegible]
$3,000 to $5,000	6		3		12		6		34	
$5,000 to $7,000	10		6		32		11		81	
$7,000 to $10,000	21		13		71		29		158	
$10,000 to $15,000	42	21.3	25	21.4	149	32.3	42	27.5	304	9.5
$15,000 to $20,000	38		22		135		46		282	
$20,000 to $50,000	128	34.1	75	34.1	300	34.1	134	41.9	1,137	18.5
$50,000 to $100,000	80	34.1	47	33.6	108	20.5	37	15.6	969	66.3
$100,000 and over	48		27		72		13		3,109	
Total	375	100.0	220	100.0	880	100.0	320	100.0	6,150	100.0

EXHIBIT 1

ESTIMATED DISTRIBUTION OF TAX EXPENDITURES OF INDIVIDUALS BY ADJUSTED GROSS INCOME CLASS, FISCAL YEAR 1974—Continued

[Dollar amounts in millions]

Adjusted gross income class	Exclusion of interest on life insurance savings	Percentage distribution by segment	Deferral of capital gain on home sales	Percentage distribution by segment	Deduction of mortgage interest on owner-occupied homes	Percentage distribution by segment	Deduction of property taxes on owner occupied homes	Percentage distribution by segment	Deduction of casualty losses	Percentage distribution by segment
0 to $3,000	$10	19.7	$1	14.1	*	6.8	$1	7.7	*	9.8
$3,000 to $5,000	[illegible]		7		$13		24		$3	
$5,000 to $7,000	[illegible]		9		52		[illegible]		4	
$7,000 to $10,000	120		10		265		221		18	
$10,000 to $15,000	280	26.1	42	34.9	[illegible]	41.5	583		54	37.6
$15,000 to $20,000	170		47		1,133		771	33.3	42	
$20,000 to $50,000	420	29.6	98	38.4	2,078	42.7	1,774	43.7	74	29.0
$50,000 to $100,000	195	24.6	21	12.5	348	9.1	487	15.3	34	23.5
$100,000 and over	155		11		95		213		26	
Total	1,420	100.0	255	100.0	4,870	100.0	4,080	100.0	255	100.9

[Dollar amounts in millions]

					Additional items for Senator Mondale					
Adjusted gross income class	Deduction of charitable contributions (other than for education)	Percentage distribution by segment	Deduction of interest on consumer credit	Percentage distribution by segment	Untaxed capital gains at death ¹	Percentage distribution by segment	Deferral of income of controlled foreign corporations	Percentage distribution by segment	Asset depreciation range	Percentage distribution by segment
0 to $3,000	$3	7.8	*	6.8	$18	11.4	*		*	13.3
$3,000 to $5,000	18		$7		8		*		*	
$5,000 to $7,000	67		76		18		*		$5	
$7,000 to $10,000	190		133		36		*		9	
$10,000 to $15,000	445	26.0	443	41.5	70	19.1	$1	10.0	10	19.0
$15,000 to $20,000	540		567		64		2		10	
$20,000 to $50,000	1,251	32.7	1,[illegible]	42.7	194	27.7	7	23.3	36	34.3
$50,000 to $100,000	506	34.0	174	9.0	112	41.7	7	66.7	25	33.3
$100,000 and over	792		46		180		13		10	
Total	3,820	100.0	2,436	100.0	700	100.0	30	100.0	105	100.0

¹ Carryover of basis to heirs. (Effect after 10 yrs. Assumes heirs have lower marginal rates.)

Representative REUSS. Finally, I wanted to ask you, Mr. Ture, about the debt ceiling, particularly the temporary debt ceiling. The permanent one doesn't occur until September. Something has to be done about that, but we have also a temporary one we are going to bump against one of these days or weeks, and my question is: Wouldn't it be a good thing if the Treasury brought up promptly to the Congress and the proper committees' Ways and Means and Finance, your proposal, because I don't think it is good for the country to get into a last-minute hassle where people say the United States is going to go broke on Saturday night, and so on. It takes a little while to get these things through and, to be candid about it, one reads in the press about various proposed attachments to it. Well, let's have the Treasury's request and let the attachments succeed or fail, as Congress will, and let's get on with it rather than getting into some desperate weekend in June, or whenever.

Mr. TURE. We are perfectly in accord with that, absolutely. I think your position is absolutely right and reflective of the Treasury's views on that. What I can tell you now as the Treasury representative is that the Assistant Secretary for Domestic Finance will be testifying to the Committee on Ways and Means, I believe on Tuesday next, and to the Committee on Finance in the Senate.

Representative REUSS. On this subject?

Mr. TURE. Yes.

Representative REUSS. He will say we need a ceiling bumping by such a date and such a time?

Mr. TURE. Yes.

Representative REUSS. That is excellent. I wasn't aware of that. That is a perfect answer to my question.

Well, we are very grateful to you, Mr. Ture, for your returning to your alma mater. You have acquitted yourself, as always, splendidly, and we enjoyed having you with us.

Mr. **Ture.** A pleasure to be here, sir.

Representative **Reuss.** We now stand in adjournment.

[Whereupon, at 11:15 a.m., the committee adjourned, subject to the call of the Chair.]

CONSUMER PRICE INDEX

TUESDAY, JUNE 22, 1982

Congress of the United States,
Joint Economic Committee,
Washington, D.C.

The committee met, pursuant to notice, at 9:33 a.m., in room 2247, Rayburn House Office Building, Hon. Henry S. Reuss (chairman of the committee) presiding.

Present: Representatives Reuss and Richmond.

Also present: James K. Galbraith, executive director; and Paul B. Manchester and Mark R. Policinski, professional staff members.

OPENING STATEMENT OF REPRESENTATIVE REUSS, CHAIRMAN

Representative Reuss. Good morning.

The Joint Economic Committee will be in order for its hearing on the Consumer Price Index for May. The CPI rose in May at an annual rate of 12.7 percent. This means that double digit inflation is back, and double digit unemployment is close. President Reagan's misery index, the sum of inflation and unemployment, is now 22.2 percent, or more than one-third above its level of 16.1 percent when the Reagan administration took office in January 1981.

The President will have little to show and a lot to answer for when the voters go to the polls next November. The Consumer Price Index shows that we have not beaten inflation. The simple truth is that the Reagan administration has no anti-inflation policy other than recession, and we will not get inflation under control until such a policy is brought into being.

We need an energy policy to assure security of supply and reasonably stable prices. We need an incomes policy. We need a food policy to prevent renewed shortages and higher prices. We need a policy to bring down interest rates, especially to promote housing and investment in new capital equipment. We need procompetitive, antispeculation policies to fight inflationary uses of credit.

Recently, administration spokesmen have wondered why the American public hasn't given the administration more credit for reducing inflation. Today's report on inflation indicates, again, the wisdom of the average American, who has rightly remained skeptical of the success claimed by the administration.

Before proceeding, I will enter Senator Hawkins' opening statement, at her request, in the hearing record at this point.

[The opening statement follows:]

OPENING STATEMENT OF HON. PAULA HAWKINS

The Consumer Price Index took a fairly large jump in May. The 1 percent rise translates into a 12 percent annual rate. However, the compound annual rate over the last three months is only 3.7 percent. This compares with the 9 percent, 12 percent, and 13 percent rates, respectively, over the last three years 1981, 1980, and 1979.

Despite the jump in May, I think our general disinflationary trend is still on track. While the rates for all of 1982 will not be as low as our recent three-month average, they should certainly be well below double digit rates.

But, I want to discuss one concern I have about inflation figures. Some of my colleagues had thought that the battle against double-digit inflation was over, and we can go back to our old ways. As they anguish over interest rates, they demand that we turn on the printing presses once again and use excessive money creation to lower interest rates.

Excessive money growth causes higher interest rates, not lower ones. That is not to say that the Federal Reserve has been doing a very good job. They haven't. While the average growth in the money supply has moderated, there has been terrible volatility—stop-and-go growth rates that have made the financial markets as nervous as a cat on a hot tin roof.

What we need is a more steady course. As far as the inflation fight is concerned, what we need is consistent Government policy in both the monetary and fiscal arenas. I think the Reagan economic program is still on target. The worst thing the administration could do is to return to the Carter days when we had a new economic policy every other Tuesday.

Mrs. Norwood, I look forward to your testimony. Inflation is the main cause of our current recession; inflationary expectations are a chief component in our high long-term interest rates. I hope you can offer us the prospect of good inflation news for the rest of the year and that it will soon be translated into good news on the recession recovery and a decline in interest rates.

Representative **Reuss**. We are delighted to welcome again, as our leading witness, Commissioner Janet Norwood of the Bureau of Labor Statistics, one of our most respected analysts and statisticians, whose unhappy lot it has been recently to bring us bad news on both the unemployment and inflation fronts.

Ms. Norwood, as always, we are delighted to have you and your associate. Would you now proceed to tell us the news.

STATEMENT OF HON. JANET L. NORWOOD, COMMISSIONER, BUREAU OF LABOR STATISTICS, DEPARTMENT OF LABOR, ACCOMPANIED BY KENNETH DALTON, ASSISTANT COMMISSIONER, DIVISION OF CONSUMER PRICES AND PRICE INDEXES

Ms. **Norwood**. Thank you, Mr. Chairman. I would like to introduce Kenneth Dalton, who is in charge of our price statistics.

I am glad to have this opportunity to offer the Joint Economic Committee a few brief comments to supplement our Consumer Price Index press release, issued this morning at 8:30 a.m.

The CPI for all urban consumers, the CPI–U, rose 1 percent in May after seasonal adjustment. This advance follows a 7-month period in which the average monthly increase was 0.3 percent. The acceleration in the May index was largely attributable to a sharp reversal in the movement of the transportation component. Gasoline prices rose 0.9 percent in May, following a 13-month period of sustained moderation, including substantial declines in each of the first 4 months of 1982. Further advances in the housing and food components also contributed to the upturn in May. On the other hand, the index for apparel and upkeep declined, and increases in the other major categories of consumer spending were about the same as in April.

The May increase in the CPI-U brought the 12-month change in consumer prices to 6.7 percent, well below the 9.8-percent increase recorded for the 12 months ended in May of last year. Over the past 8 months, including May, the rate of increase in consumer prices has slowed substantially, with the most noticeable decelerations occurring in energy, homeownership, and the food components of the CPI. Moreover, the rate of increase in a special index which excludes these items also moderated over this period, but less dramatically.

In May, energy costs rose 1.6 percent as prices for petroleum-based items advanced after sharp declines earlier this year. Charges for gas and electricity continued to increase at about the same rate as during the 12 months ended in September. The decline in gasoline and fuel oil prices over the period from March 1981 through April 1982 followed sharp increases in the first quarter of 1981 after announced price hikes by OPEC and price decontrol. These sharp increases, along with a slowdown in economic activity, led to a reduction in demand and what has been characterized as the "oil supply glut." Inventories have now been drawn down, and it appears that this "glut" is over.

The behavior of food prices has been marked by volatility. Both the 1973 and 1978 inflationary episodes were characterized by sharply increasing food prices. At some other times, however, food prices have provided a major decelerating pressure on the overall CPI. The slowdown in food prices preceded the current slowdown in consumer prices. For the 12-month period ended in September 1981, grocery store food prices had increased only 5.5 percent, a rate half of that of the overall index. Over the past 8-month period, including May, the increase was even less, a seasonally adjusted annual rate of 3.6 percent. The May advance was primarily due to sharp increases in prices for meats and fresh fruits and vegetables. These increases correspond with the Agriculture Department's forecasts calling for an acceleration during the second and third quarters and an overall increase in the 5- to 7-percent range for all of 1982.

The homeownership component of the CPI, primarily reflecting increases in house prices and mortgage interest costs, registered advances throughout most of the period from January 1978 through September 1981. During the succeeding 6 months, this component declined and was a major factor in the overall slowdown in consumer prices. The last 2 months, however, have seen a large jump in homeownership costs as house prices rose sharply. Problems in measuring homeownership may have exaggerated these movements—both on the upside and on the downside.

The experimental CPI-U, X-1, using rent substitution, offers an alternative measure for analyzing the recent price behavior which moderates the volatility inherent in the present "asset" approach treatment of homeownership costs. The experimental series, as you are aware, will, with some modification, become the official measure of homeownership costs in the CPI-U with publication of the data for January 1983. While the recent overall pattern of price behavior reflected by the experimental measure is similar to that of the official CPI-U, the deceleration following September 1981 was more gradual, with the April index registering a decline, followed by a 0.6 percent rise in the May index.

In summary, prices increased in May, following 7 months of sustained moderation. When the volatile house prices and mortgage costs are excluded, the index rose 0.6 percent in May, primarily because of increased prices for food and energy. When put in lower perspective, the annualized increases during the first 5 months of 1982, both for the overall CPI and for the major categories, are still well below those of last year.

Mr. Dalton and I will try to answer any questions you may have. Thank you.

[The Consumer Price Index, May 1982, news release referred to by Ms. Norwood follows:]

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Department
of Labor

Bureau of Labor Statistics Washington, D.C. 20212

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THE CONSUMER PRICE INDEX--MAY 1982

The Consumer Price Index for All Urban Consumers (CPI-U) and the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) both rose 1.0 percent before seasonal adjustment in May, the Bureau of Labor Statistics of the U.S. Department of Labor announced today. The CPI-U rose to 287.1 and the CPI-W to 286.5 (1967=100), respectively. The All Items experimental measure using a rental equivalence approach (CPI-U, X-1) increased 0.7 percent to 260.6. Compared with their levels in May 1981, the CPI-U was 6.7 percent higher, the CPI-U, X-1 6.1 percent higher, and the CPI-W 6.5 percent higher.

CPI for All Urban Consumers (CPI-U)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for All Urban Consumers rose 1.0 percent in May, while the experimental CPI-U, X-1 increased 0.6 percent.

The 1.0 percent advance in the official CPI follows a 7-month period in which the average monthly increase was 0.3 percent. The acceleration in the May index was largely attributable to a turnaround in the transportation component. Gasoline prices, which had declined almost 15 percent over the period from March 1981 through April 1982 rose 0.9 percent in May. Further advances in the housing and food and beverage components also contributed to the upturn in consumer prices. On the other hand, the index for apparel and upkeep declined

Table A. Percent Changes in CPI for All Urban Consumers (CPI-U)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended May '82	12-mos. ended May '82
	1981		1982						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May		
All items	.5	.4	.3	.2	-.3	.2	1.0	3.7	6.7
Food and beverages	.1	.1	.7	.6	-.3	.3	.8	2.9	4.8
Housing	.5	.4	.3	.4	-.3	.8	1.4	7.8	8.8
Apparel and upkeep	-.1	.1	-.1	.4	.4	.1	-.1	1.9	2.7
Transportation	.9	.6	-.2	-.7	-1.0	-1.6	.4	-8.2	2.8
Medical care	1.1	.7	.8	.7	1.0	1.0	.9	12.2	12.0
Entertainment	.8	.3	.7	.7	.5	.3	.3	4.2	6.4
Other goods and services	.5	.6	.6	.9	1.0	.9	.7	10.5	9.8

while increases in the other major categories of consumer spending were less than or the same as in April.

The transportation index advanced 0.4 percent in May, following a decline of 1.6 percent in April. The turnaround was due to the dramatic reversal in gasoline prices which accounted for over three-fifths of the acceleration in the overall CPI. Moderating the impact of the jump in gasoline prices were smaller increases in new and used car prices, which rose 0.3 and 0.1 percent, respectively. Automobile finance charges declined for the second consecutive month. Moderate increases were recorded for most other private transportation components. The index for public transportation rose 0.8 percent, the same as in April, again largely due to increases in airline and intercity train fares.

The housing component rose 1.4 percent in May, following a 0.8 percent increase in April, and accounted for about one-third of the acceleration in the overall CPI. Shelter costs advanced sharply for the second consecutive month. The index of home financing costs rose 1.7 percent as a 2.6 percent increase in house prices was partially offset by a 0.8 percent decline in mortgage interest rates. Charges for residential rent rose 0.8 percent in May,following a small increase in April. The index for fuel and other utilities also accelerated, rising 1.0 percent in May after recording no change in April. Charges for natural gas rose sharply for the fifth consecutive month while the index for electricity registered a small decline for the second month in a row. Fuel oil prices, which had declined sharply in the 2 preceding months, rose 0.7 percent in May.

The index for food and beverages rose 0.8 percent in May, compared with a 0.3 percent increase in April. Grocery store food prices also accelerated, advancing 1.0 percent, largely due to substantial increases in the indexes for meats, poultry, fish, and eggs, and fruits and vegetables. Beef, pork, and poultry prices all rose sharply, while egg prices declined for the third consecutive month. All other major grocery store food groups continued to record either moderate increases or small declines. Prices for the other two components of the food and beverage index -- restaurant meals and alcoholic beverages -- increased 0.4 and 0.1 percent, respectively.

The medical care index rose 0.9 percent in May, about the same as in recent months. The index for medical care commodities, which includes prescription and nonprescription drugs and medical supplies, increased 0.8 percent. Charges for hospital rooms and physicians' services rose 0.8 and 0.6 percent, respectively.

The index for apparel and upkeep declined 0.1 percent in May. A decline in prices for women's and girls' clothing, reflecting early summer sales, was primarily responsible for the decrease. Partially offsetting this decline were moderate increases in the indexes for men's and boys' clothing, footwear, and apparel services.

The entertainment index rose 0.3 percent in May, the same as in April. The other goods and services component advanced 0.7 percent, somewhat less than in recent months. Increases in bank service charges and tobacco products were largely responsible for the May increase.

CPI-U Experimental Measure

On a seasonally adjusted basis, the CPI-U using rent substitution (X-1) rose 0.6 percent in May. The official CPI-U rose 1.0 percent. The large difference in movement in May reflects the different treatment of homeownership costs in the two indexes. The CPI-U, X-1 uses rental charges to represent movements in shelter costs of homeowners. Rental charges increased 0.8 percent in May. The official CPI-U employs house prices, mortgage interest rates, property taxes, property insurance, and maintenance and repair costs. This measure of homeownership costs increased 1.8 percent in May as a result a sharp increase in house prices.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)--Seasonally Adjusted Changes

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers advanced 0.9 percent in May, after recording a increase of 0.2 percent in April. The food and beverage component rose 0.8 percent in May, following an increase of 0.3 percent in the preceding month. Grocery store food prices rose 1.0 percent, largely reflecting sharp price increases in meats and vegetables. The housing component increased 1.4 percent, the second consecutive large monthly increase. Shelter costs rose sharply as both homeownership costs and charges for rent accelerated. The index for fuel and utilities also increased substantially. The transportation component, which had declined in each of the preceding 4 months, increased 0.5 percent in May. The turnaround was due largely to the sharp reversal in gasoline prices, which increased 0.9 percent in May. The index for medical care advanced 0.8 percent. The apparel and upkeep component declined 0.4 percent, largely due to a decline in prices for women's and girls' clothing. The entertainment and other goods and services rose 0.2 and 0.7 percent, respectively.

Table B. Percent Changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure category	Seasonally adjusted								Unadjusted
	Changes from preceding month							Compound annual rate 3-mos. ended May '82	12-mos. ended May '82
	1981		1982						
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May		
All items	.5	.4	.3	.2	-.2	.2	.9	3.4	6.5
Food and beverages	.1	.1	.8	.4	-.2	.3	.8	3.4	4.7
Housing	.4	.4	.2	.3	-.3	.9	1.4	8.5	8.9
Apparel and upkeep	.1	-.1	0	.4	.7	.1	-.4	1.7	2.4
Transportation	.9	.6	-.2	-.7	-1.0	-1.7	.5	-8.4	2.9
Medical care	1.1	.7	.8	.7	.8	1.0	.8	11.3	10.8
Entertainment	.5	.2	.4	.7	.3	.4	.2	3.7	6.2
Other goods and services	.5	.6	.6	1.0	1.0	.8	.7	10.8	9.5

Homeownership Changes

On October 27, 1981, the Bureau of Labor Statistics announced its intention to change the way in which homeownership costs are measured for the Consumer Price Index. Effective with data for January 1983, the Consumer Price Index for All Urban Consumers (CPI-U) will incorporate a rental equivalence measure for homeownership costs. Effective with data for January 1985, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) will also incorporate the rental equivalence approach. Details of these changes can be found in U.S. Department of Labor news release 81-506, October 27, 1981.

Postponement of Rebasing of Consumer Price Index

Because of severe budget constraints, the Bureau of Labor Statistics did not carry out the Government directive to rebase the Consumer Price Index and the Producer Price Index to the new U.S. Government 1977=100 reference base. Postponement was required because of the high cost of both the direct production work necessary to prepare the data and the information services to explain the change. No alternative date for adopting the 1977 reference base has been set. All Items indexes on a 1977=100 reference base are available upon request from the Bureau.

Table C. Official CPI-U and Experimental Measures using alternative approaches to homeownership costs: 1967=100.

Group	Relative importance	Unadjusted indexes		Unadjusted percent change to May. 1982 from		Seasonally adjusted percent changes from-		
	December 1977	Apr. 1982	May. 1982	May. 1981	Apr. 1982	Feb. to Mar.	Mar. to Apr	Apr. to May.
ALL ITEMS								
CPI-U	100.0	284.3	287.1	6.7	1.0	-0.3	0.2	1.0
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)	100.0	258.8	260.6	6.1	0.7	0.2	-0.2	0.6
CPI-U-X2 (User Cost Current Interest)	100.0	285.1	287.0	8.4	0.7	-0.5	0.0	0.5
CPI-U-X3 (User Cost Avg. Interest) ..	100.0	276.7	278.4	8.5	0.6	-0.1	-0.1	0.4
Outlays Measures								
CPI-U-X4 (Current Interest)	100.0	280.2	282.4	6.5	0.8	-0.1	-0.1	0.8
CPI-U-X5 (Average Interest)	100.0	271.4	273.3	6.5	0.7	0.2	-0.1	0.6
HOMEOWNERSHIP								
CPI-U	22.8	370.6	377.4	9.4	1.8	-0.9	1.3	1.8
Flow-of-Services Measures								
CPI-U-X1 (Rent Substitution)[1].......	14.5	220.1	221.8	7.7	0.8	0.5	0.2	0.8
CPI-U-X2 (User Cost Current Interest).	11.4	419.2	421.6	21.9	0.6	-2.4	0.7	0.0
CPI-U-X3 (User Cost Avg. Interest) ..	10.0	352.8	353.6	27.1	0.2	-1.7	0.6	-0.4
Outlays Measures								
CPI-U-X4 (Current Interest)	10.0	452.1	458.5	11.5	1.4	-1.2	1.1	1.2
CPI-U-X5 (Average Interest)	8.7	343.2	347.1	14.0	1.1	0.8	0.9	1.2

[1] Residential rent, not seasonally adjusted

Explanations of Homeownership Measures

Official CPI-U includes five components. (1) The weights for property taxes, property insurance, and home maintenance and repairs represent expenditures of all homeowers in the base period. The weights for house prices and contracted mortgage interest cost represent only those homeowners who actually purchased a home in the base period. Included are the total price paid for the home and the total amount of interest expected to be paid over half the stated life of the mortgage. (2) Current monthly prices are used for each of these components.

Experimental Measure X-1: (1) The weight for this rental equivalence measure is the estimate of the rental value of all owner-occupied homes in the base period compiled from a specific question asked on the 1972-73 Consumer Expenditure Survey. This covers the entire stock of owned homes. (2) Prices used are the current rents collected for the residential rent component of the CPI. The CPI rent component is designed to represent changes in residential rents for all types of housing units, not just changes in rents for units that are typically owner occupied. The CPI rent component is, therefore, not appropriate for this measure.

Experimental Measure X-2: (1) The weight for this user cost method includes expenditures for mortgage interest, property taxes, property insurance, maintenance and repairs, the estimated base-period cost of homeowners' equity in their houses, and the offset to shelter costs resulting from the estimated appreciation of house values in the base period. This measure covers the entire stock of owned houses. To derive the weights for mortgage interest costs and equity costs, the total value of the housing stock in the base period was apportioned into its debt and equity components. The debt component equals the amount owed, and the equity component is the amount owned, i.e., payments on principal plus appreciation from the time of purchase to the base period. Each component was subsequently multiplied by the average mortgage interest rate in the base period to determine its cost. (2) Prices used are current ones except for the appreciation term which uses a 5-year moving average of the changes in appreciation rates.

Experimental Measure X-3: (1) The weights are the same as in Experimental Measure X-2, except that mortgage interest costs are calculated as the total interest amount *paid out* by homeowners in the base period. As in X-1 and in X-2, this measure covers the entire homeowner population. (2) The prices for all components except mortgage interest costs and appreciation are current monthly prices. As in X-2, appreciation is represented by a 5-year moving average of the changes in house prices. However, X-3 uses past and current mortgage interest costs in a 15-year weighted moving average, which reflects the base period age distribution of mortgage loans.

Experimental Measure X-4: (1) The weights for this outlays approach include expenditures actually made in the base period for property taxes, property insurance, and maintenance and repairs. The weight for the mortgage interest term is calculated in the same manner as in X-2. However, no appreciation or equity terms are included. Not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) The prices used for each of these items are current ones.

Experimental Measure X-5: (1) The weights for this outlays approach include, as in X-4, expenditures actually made in the base period for property taxes, property insurance, and maintenance and repairs. The weight for the mortgage interest cost term is the same as for the X-3. No appreciation or equity elements are used. As in X-4, not all homeowners are represented in this measure because those who made no mortgage debt payment in the base period are excluded. (2) Current prices are used in X-5 except for mortgage interest which uses the 15-year weighted moving average also used in the X-3.

Technical Notes

Brief Explanation of the CPI

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. Effective with the January 1978 index, the Bureau of Labor Statistics began publishing CPI's for two population groups: (1) a new CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total noninstitutional civilian population; and (2) a revised CPI for Urban Wage Earners and Clerical Workers (CPI-W) which represents about half the population covered by the CPI-U. The CPI-U includes, in addition to wage earners and clerical workers, groups which historically have been excluded from CPI coverage, such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Prices are collected in 85 urban areas across the country from about 18,000 tenants, 18,000 housing units for property taxes, and about 24,000 establishments—grocery and department stores, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of food, fuels, and a few other items are obtained every month in all 85 locations. Prices of most other commodities and services are collected every month in the five largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits of the Bureau's trained representatives. Mail questionnaires are used to obtain public utility rates, some fuel prices, and certain other items.

In calculating the index, price changes for the various items in each location are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. Separate indexes are also published by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for 28 local areas. Area indexes do not measure differences in the level of prices among cities; they only measure the average change in prices for each area since the base period.

The index measures price changes from a designated reference date—1967—which equals 100.0. An increase of 122 percent, for example, is shown as 222.0. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $22.20.

For further details see the following: *The Consumer Price Index: Concepts and Content Over the Years*, Report 517, revised edition (Bureau of Labor Statistics, May 1978); *The Revision of the Consumer Price Index*, by W. John Layng, reprinted from the *Statistical Reporter*, February 1978, No. 78-5 (U.S. Dept. of Commerce), *Revisions in the Medical Care Service Component of the Consumer Price Index*, by Daniel H. Ginsburg, *Monthly Labor Review*, August 1978; and *CPI Issues*, Report 593, (Bureau of Labor Statistics, February 1980).

A Note About Calculating Index Changes

Movements of the indexes from one month to another are usually expressed as percent changes rather than changes in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in the accompanying box illustrates the computation of index point and percent changes.

Percent changes for 3-month and 6-month periods are expressed as annual rates and are computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

Index Point Change	
CPI	236.4
Less previous index	233.2
Equals index point change	3.2
Percent Change	
Index point difference	3.2
Divided by the previous index	233.2
Equals	0.014
Results multiplied by one hundred	0.014x100
Equals percent change	1.4

A Note on Seasonally Adjusted and Unadjusted Data

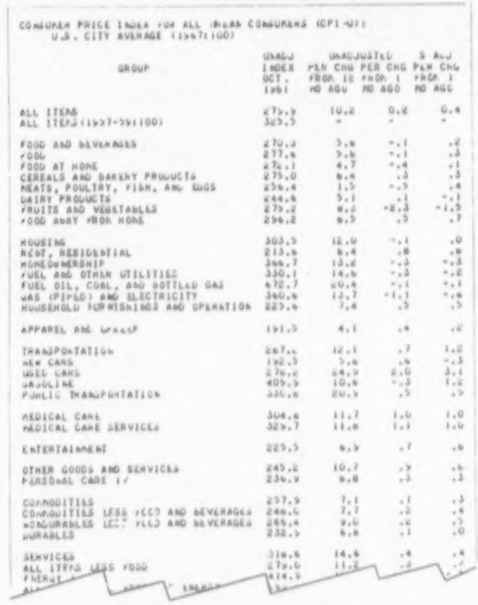
Because price data are used for different purposes by different groups, the Bureau of Labor Statistics publishes seasonally adusted as well as unadjusted changes each month.

For analyzing general price trends in the economy, seasonally adjusted changes are usually preferred since they eliminate the effect of changes that normally occur at the same time and in about the same magnitude every year—such as price movements resulting from changing climatic conditions, production cycles, model changeovers, holidays, and sales.

The unadjusted data are of primary interest to consumers concerned about the prices they actually pay. Unadjusted data also are used extensively for escalation purposes. Many collective bargaining contract agreements and pension plans, for example, tie compensation changes to the Consumer Price Index unadjusted for seasonal variation.

Seasonal factors used in computing the seasonally adjusted indexes are derived by the X-11 Variant of the Census Method II Seasonal Adjustment Program. The updated seasonal data at the end of 1977 replaced data from 1967 through 1977. Subsequent annual updates have replaced 5 years of seasonal data, e.g., data from 1975 through 1979 were replaced at the end of 1979. The seasonal movement of all items and 35 other aggregations is derived by combining the seasonal movement of 45 selected components. Each year the seasonal status of every series is reevaluated based upon certain statistical criteria. If any of the 45 selected components changes its seasonal status, seasonal data from 1967 forward for the all items and for any of the 35 other aggregations, that have that series as a component, are replaced.

CPI Data Available in 24-Hour Mailgram



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CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U):
     U.S. CITY AVERAGE (1967=100)

                                      UNADJ      UNADJUSTED     S ADJ
             GROUP                    INDEX   PER CHG PER CHG PER CHG
                                      OCT.    FROM 12 FROM 1  FROM 1
                                      1981    MO AGO  MO AGO  MO AGO

ALL ITEMS                             279.9     10.2     0.2     0.4
ALL ITEMS(1957-59=100)                325.5      -       -       -

FOOD AND BEVERAGES                    270.3      5.8     -.1      .2
FOOD                                  277.4      5.6     -.1      .3
FOOD AT HOME                          272.1      4.7     -.4      .1
CEREALS AND BAKERY PRODUCTS           275.0      6.4      .3      .3
MEATS, POULTRY, FISH, AND EGGS        256.4      1.5     -.5      .4
DAIRY PRODUCTS                        244.6      5.1      .1     -.1
FRUITS AND VEGETABLES                 275.2      8.3    -2.3    -1.5
FOOD AWAY FROM HOME                   296.2      8.5      .5      .7

HOUSING                               303.5     12.0     -.1      .0
RENT, RESIDENTIAL                     213.6      8.4      .8      .8
HOMEOWNERSHIP                         366.7     13.2     -.3     -.3
FUEL AND OTHER UTILITIES              330.1     14.6     -.3     -.2
FUEL OIL, COAL, AND BOTTLED GAS       672.7     20.4     -.1     -.1
GAS (PIPED) AND ELECTRICITY           360.6     13.7    -1.1     -.6
HOUSEHOLD FURNISHINGS AND OPERATION   225.6      7.4      .5      .5

APPAREL AND UPKEEP                    191.5      4.1      .4      .2

TRANSPORTATION                        287.2     12.1      .7     1.2
NEW CARS                              192.5      5.6      .4     -.3
USED CARS                             276.2     24.9     2.0     3.1
GASOLINE                              409.5     10.6     -.3     1.2
PUBLIC TRANSPORTATION                 330.6     20.5      .5      .5

MEDICAL CARE                          304.6     11.7     1.0     1.0
MEDICAL CARE SERVICES                 329.7     11.8     1.1     1.0

ENTERTAINMENT                         225.5      6.9      .7      .6

OTHER GOODS AND SERVICES              245.2     10.7      .9      .6
PERSONAL CARE 1/                      236.9      8.8      .3      .3

COMMODITIES                           257.9      7.1      .1      .3
COMMODITIES LESS FOOD AND BEVERAGES   246.6      7.7      .2      .4
NONDURABLES LESS FOOD AND BEVERAGES   266.4      9.0      .2      .5
DURABLES                              232.5      6.6      .1      .0

SERVICES                              316.6     14.6      .4      .4
ALL ITEMS LESS FOOD                   279.0     11.2      .3 [illegible]
ENERGY                                414.9
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Consumer Price Index data are available by mailgram within 24 hours of the CPI release. The service is offered by the National Technical Information Service of the U.S. Department of Commerce.

The CPI MAILGRAM service provides unadjusted and seasonally adjusted U.S. City Average data both for the All Urban Consumers (CPI-U) and for the Urban Wage Earners and Clerical Workers (CPI-W) Indexes. The unadjusted data include the current month's index and the percent changes from 12 months ago and one month ago for 35 CPI components and groupings. The seasonally adjusted data are the percent changes from one month ago. Subscription price—$125 in contiguous U.S.

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CPI-U

TABLE 1. Consumer Price Index for all urban consumers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1981	Unadjusted indexes Apr. 1982	Unadjusted indexes May 1982	Unadjusted percent change to May 1982 from- May 1981	Unadjusted percent change to May 1982 from- Apr. 1982	Seasonally adjusted percent change from- Feb. to Mar.	Seasonally adjusted percent change from- Mar. to Apr.	Seasonally adjusted percent change from- Apr. to May
Expenditure category								
All items	100.000	284.3	287.1	6.7	1.0	-0.3	0.2	1.0
All items(1957-59=100)	-	330.6	333.9	-	-	-	-	-
Food and beverages	17.535	276.5	278.1	4.8	.6	-.3	.3	.8
Food	16.577	283.9	285.5	4.8	.6	-.4	.3	.8
Food at home	11.343	277.9	279.8	4.5	.7	-.6	.3	1.0
Cereals and bakery products 1/	1.487	281.7	283.3	4.9	.6	.1	.1	.6
Meats, poultry, fish, and eggs	3.686	258.3	261.0	5.7	1.0	-.5	1.1	2.1
Dairy products 1/	1.518	247.5	247.0	1.3	-.2	.0	.4	-.2
Fruits and vegetables	1.669	294.0	297.9	7.6	1.3	-1.5	-.9	1.3
Sugar and sweets 1/	.431	365.3	365.7	-.4	.1	.4	-.1	.1
Fats and oils 1/	.317	260.4	260.6	-3.7	.1	-.3	.3	.1
Nonalcoholic beverages	1.234	424.1	425.6	3.2	.4	.5	-.3	.5
Other prepared foods	1.001	266.6	267.5	5.8	.3	.5	-.1	.3
Food away from home	5.235	303.6	304.8	5.4	.4	.2	.4	.4
Alcoholic beverages	.958	207.4	208.0	4.5	.3	.2	.3	.1
Housing	46.043	309.4	313.8	8.8	1.4	-.3	.8	1.4
Shelter	31.928	331.4	336.7	9.2	1.6	-.6	1.2	1.6
Rent, residential 1/	5.097	220.1	221.8	7.7	.8	.5	.2	.8
Other rental costs	.750	323.7	323.6	13.0	.0	1.0	1.2	.3
Homeownership	26.081	370.6	377.4	9.4	1.8	-.9	1.3	1.8
Home purchase 1/	9.576	272.3	279.3	6.2	2.6	-.4	1.2	2.6
Financing, taxes, and insurance 1/	12.947	508.4	516.2	12.6	1.5	-1.2	1.5	1.5
Maintenance and repairs	3.558	331.6	334.5	6.9	.9	-.7	1.0	1.0
Maintenance and repair services	2.777	363.6	367.0	7.6	.9	-.9	1.2	1.0
Maintenance and repair commodities 1/	.781	256.2	257.8	4.7	.6	.2	.3	.6
Fuel and other utilities	6.882	339.2	345.4	9.7	1.8	.5	.0	1.0
Fuels	5.071	428.2	438.0	8.6	2.3	.5	-.4	1.1
Fuel oil, coal, and bottled gas 1/	1.387	641.3	644.6	-6.0	.5	-2.8	-3.4	.5
Gas (piped) and electricity	3.683	377.8	388.6	14.4	2.9	1.7	.6	1.3
Other utilities and public services 1/	1.811	197.7	198.9	12.9	.6	.6	1.4	.6
Household furnishings and operation	7.233	232.6	233.4	6.0	.3	.4	.3	.5
Housefurnishings	3.833	193.8	194.7	5.7	.5	.2	.4	.7
Housekeeping supplies 1/	1.442	284.9	285.5	6.1	.2	.6	.2	.2
Housekeeping services 1/	1.957	310.4	311.3	6.8	.3	.6	.2	.1
Apparel and upkeep	4.617	191.9	191.5	2.7	-.2	.4	.1	-.1
Apparel commodities	3.952	181.4	180.9	2.1	-.3	.4	.1	-.2
Men's and boys' apparel	1.253	183.1	183.8	4.0	.4	.1	.5	.2
Women's and girls' apparel	1.435	160.9	159.1	1.2	-1.1	1.2	.0	-.6
Infants' and toddlers' apparel	.100	267.0	269.0	4.7	.7	-.3	-.2	1.1
Footwear	.610	205.6	206.5	2.7	.4	.3	.0	.3
Other apparel commodities 1/	.554	210.8	209.7	-1.1	-.5	-.7	-.9	-.5
Apparel services	.665	273.4	274.7	7.1	.5	.5	.6	.4
Transportation	19.313	282.9	285.6	2.8	1.0	-1.0	-1.6	.4
Private transportation	18.009	278.8	281.5	2.0	1.0	-1.1	-1.7	.4
New cars	3.497	196.0	197.5	3.5	.8	.1	.7	.3
Used cars	3.297	285.1	291.4	18.8	2.2	.5	.6	.1
Motor fuel 2/	5.973	366.9	370.6	-11.0	1.0	-4.0	-6.7	.9
Gasoline 3/	5.868	366.7	370.4	-11.1	1.0	-4.0	-6.7	.9
Maintenance and repair	1.449	311.9	313.6	7.8	.5	.6	.6	.5
Other private transportation 1/	3.794	255.1	255.7	7.0	.2	.4	.2	.2
Other private trans. commodities 1/	.672	214.9	216.9	4.0	.9	.4	-.1	.9
Other private trans. services 1/	3.122	268.2	268.4	7.7	.1	.4	.4	.1
Public transportation 1/	1.304	339.3	342.1	14.9	.8	.0	.8	.8
Medical care	4.870	321.7	323.8	12.0	.7	1.0	1.0	.9
Medical care commodities	.802	202.4	204.1	10.5	.8	1.2	1.1	.8
Medical care services	4.068	348.0	350.2	12.4	.6	.9	1.0	.9
Professional services 1/	1.920	297.8	299.2	9.3	.5	.5	.7	.5
Other medical care services	2.148	408.7	411.9	15.2	.8	1.3	1.1	1.3
Entertainment	3.589	233.9	234.4	6.4	.2	.5	.3	.3
Entertainment commodities	2.137	238.0	238.8	6.1	.3	.6	.3	.5
Entertainment services 1/	1.452	228.5	228.7	6.9	.1	.3	.3	.1
Other goods and services	4.032	253.8	255.0	9.8	.5	1.0	.3	.7
Tobacco products 1/	1.041	235.1	237.4	8.8	1.0	1.5	.4	1.7
Personal care 1/	1.571	245.9	246.5	6.9	.2	.6	.9	.2
Toilet goods and personal care appliances 1/	.713	243.8	244.5	7.9	.3	.9	1.3	.3
Personal care services 1/	.858	248.7	249.2	6.2	.2	.3	.6	.2
Personal and educational expenses	1.420	291.9	292.8	14.0	.3	1.0	1.1	.9
School books and supplies	.179	263.8	264.2	14.5	.2	.7	.8	.9
Personal and educational services	1.241	298.7	299.8	14.0	.4	1.1	1.1	1.0
Commodity and service group								
All items	100.000	284.3	287.1	6.7	1.0	-0.3	0.2	1.0
Commodities	56.819	258.9	261.5	3.8	1.0	-.5	-.3	.9
Food and beverages	17.535	276.5	278.1	4.8	.6	-.3	.3	.8
Commodities less food and beverages	39.284	247.0	249.8	3.4	1.1	-.5	-.6	1.0
Nondurables less food and beverages	17.616	259.7	261.0	-1.1	.5	-.8	-2.3	.7
Apparel commodities	3.952	181.4	180.9	2.1	-.3	.4	.1	-.2
Nondurables less food, beverages, and apparel 1/	13.664	304.4	306.6	-2.0	.7	-1.5	-1.9	.7
Durables	21.667	235.8	239.8	7.1	1.7	.2	.6	1.4
Services	43.181	328.4	331.8	10.7	1.0	.0	.9	.9
Rent, residential 1/	5.097	220.1	221.8	7.7	.8	.5	.2	.8
Household services less rent	23.925	397.3	403.0	11.8	1.4	-.4	1.2	1.2
Transportation services	5.874	290.3	291.3	9.3	.3	.3	.5	.4
Medical care services	4.068	348.0	350.2	12.4	.6	.9	1.0	.9
Other services	4.217	255.3	255.9	8.8	.2	.6	.7	.4
Special indexes:								
All items less food	83.423	282.9	286.0	7.1	1.1	-.2	.2	1.0
All items less shelter	68.072	268.7	270.6	5.6	.7	-.1	-.1	.6
All items less mortgage interest costs	89.174	267.9	270.3	5.9	.9	-.1	.1	.8
All items less home purchase and mortgage interest costs	79.597	267.5	269.4	5.9	.7	.0	.0	.6
All items less medical care	95.130	282.1	284.9	6.5	1.0	-.3	.2	.9
Commodities less food	40.242	245.0	247.8	3.4	1.1	-.5	-.5	.9
Nondurables less food	18.574	255.0	256.2	-.8	.5	-.7	-2.2	.7
Nondurables less food and apparel 1/	14.622	291.4	293.4	-1.5	.7	-1.3	-1.8	.7
Nondurables	35.152	269.3	270.7	1.8	.5	-.6	-.8	.6
Services less rent	38.084	349.1	352.8	11.2	1.1	.0	1.0	1.0
Services less medical care 1/	39.113	324.0	327.5	10.6	1.1	.0	.9	1.1
Energy 1/	11.133	395.7	402.1	-2.2	1.6	-1.7	-2.6	1.6
All items less energy 1/	88.867	275.7	278.3	7.9	.9	.1	.8	.9
All items less food and energy	72.290	272.2	274.9	8.7	1.0	.0	.8	.9
Commodities less food and energy	32.792	227.2	229.9	6.6	1.2	.4	.5	1.1
Energy commodities 1/	7.450	406.6	410.2	-9.9	.9	-3.5	-4.2	.9
Services less energy	39.498	324.5	327.2	10.4	.8	-.1	1.0	.9
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$.352	$.348	-6.5	-1.1	.0	-.3	-1.1
1957-59=$1.00 1/	-	.302	.299	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 2. Consumer Price Index for all urban consumers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for—					
					3 months ending in				6 months ending in	
	Feb. 1982	Mar. 1982	Apr. 1982	May 1982	Aug. 1981	Nov. 1981	Feb. 1982	May 1982	Nov. 1981	May 1982
					Expenditure category					
All items	-	-	-	-	11.3	8.4	3.7	3.7	9.8	3.7
Food and beverages	275.8	274.9	275.7	277.8	5.7	4.2	5.9	2.9	5.0	4.4
Food	283.2	282.2	283.0	285.4	5.8	4.1	5.7	3.1	5.0	4.4
Food at home	278.1	276.4	277.1	279.9	5.0	3.0	7.2	2.6	4.0	4.9
Cereals and bakery products 1/	280.9	281.1	281.7	283.3	3.9	5.5	6.8	3.5	4.7	5.1
Meats, poultry, fish, and eggs	256.0	254.6	257.3	262.8	10.5	1.9	-.3	11.1	6.1	5.4
Dairy products 1/	246.5	246.5	247.5	247.0	.0	2.0	2.5	.8	1.0	1.6
Fruits and vegetables	303.9	293.4	290.8	296.7	8.4	2.3	37.0	-11.6	5.3	10.1
Sugar and sweets 1/	364.2	365.5	365.3	365.7	-6.2	-2.4	5.8	1.7	-4.3	3.7
Fats and oils 1/	260.5	259.6	260.4	260.6	-2.2	-10.0	-2.6	.2	-6.2	-1.2
Nonalcoholic beverages	423.4	425.7	424.5	426.5	-3.8	6.4	7.9	3.0	1.2	5.4
Other prepared foods	264.8	266.0	265.8	266.7	9.7	8.0	2.6	2.9	8.8	2.8
Food away from home	300.9	301.5	302.7	303.9	7.1	7.1	3.1	4.0	7.1	3.7
Alcoholic beverages	205.8	206.2	206.8	207.0	7.0	2.8	5.8	2.4	4.9	4.1
Housing	307.9	308.9	309.5	313.7	16.0	7.6	4.1	7.8	11.7	5.9
Shelter	329.6	327.5	331.3	336.7	18.9	7.0	3.0	8.9	12.8	5.9
Rent, residential 1/	218.6	219.6	220.1	221.8	8.8	9.2	6.9	6.0	9.0	6.4
Other rental costs	315.3	318.5	322.4	323.3	16.6	15.9	9.3	10.5	16.3	9.9
Homeownership	369.0	365.7	370.5	377.3	21.0	6.3	2.0	9.3	13.4	5.6
Home purchase 1/	270.4	269.2	272.3	279.3	15.4	-3.5	.3	13.8	5.6	6.9
Financing, taxes, and insurance 1/	507.2	500.9	508.4	516.2	28.9	14.9	1.3	7.3	21.7	4.2
Maintenance and repairs	329.7	327.4	330.8	334.0	10.2	4.4	7.8	5.3	7.3	6.5
Maintenance and repair services	361.6	358.2	362.5	366.3	11.6	5.7	7.8	5.2	8.6	6.5
Maintenance and repair commodities 1/	254.6	255.0	256.2	257.6	5.3	.3	8.1	5.1	2.8	6.6
Fuel and other utilities	339.9	341.6	341.7	345.0	13.0	11.2	8.2	6.1	12.1	7.1
Fuels	432.3	434.4	432.5	437.3	11.2	9.5	9.4	4.7	10.3	7.0
Fuel oil, coal, and bottled gas 1/	683.1	664.0	651.3	644.6	-8.6	.9	4.2	-20.7	-2.8	-9.1
Gas (piped) and electricity	374.3	380.5	382.8	387.8	18.9	12.9	10.7	15.2	15.9	12.9
Other utilities and public services 1/	193.9	195.0	197.7	198.9	18.1	16.1	6.9	10.7	17.1	8.8
Household furnishings and operation	230.4	231.3	232.0	233.1	6.9	6.8	5.9	4.8	6.9	5.4
Housefurnishings	191.8	192.1	192.8	194.1	7.6	5.0	5.4	4.9	6.3	5.1
Housekeeping supplies 1/	282.4	284.2	284.9	285.5	4.5	5.1	10.6	4.5	4.8	7.5
Housekeeping services 1/	308.1	309.9	310.4	311.3	7.5	11.7	3.9	4.2	9.5	4.0
Apparel and upkeep	190.1	190.9	191.1	191.0	5.7	1.9	1.7	1.9	3.8	1.8
Apparel commodities	180.0	180.7	180.8	180.5	4.6	.9	1.3	1.1	2.8	1.2
Men's and boys' apparel	181.8	181.9	182.9	183.3	7.0	3.8	2.0	3.3	5.4	2.7
Women's and girls' apparel	157.9	159.8	159.8	158.9	4.4	-3.0	.8	2.6	.6	1.7
Infants' and toddlers' apparel	267.0	266.3	265.9	268.7	9.2	.3	7.0	2.6	4.7	4.8
Footwear	204.4	205.1	205.0	205.7	2.2	4.6	1.4	2.6	3.4	2.0
Other apparel commodities 1/	214.3	212.7	210.9	209.7	3.6	1.5	-.9	-8.3	2.6	-4.7
Apparel services	268.9	270.2	271.9	272.8	10.4	7.4	4.7	5.9	8.9	5.3
Transportation	289.9	287.1	282.6	283.8	8.4	14.0	-1.2	-8.2	11.2	-4.8
Private transportation	286.5	283.4	278.5	279.7	6.3	14.4	-1.8	-9.2	10.2	-5.5
New cars	194.5	194.6	196.0	196.5	6.2	3.8	-.2	4.2	5.0	2.0
Used cars	286.6	288.1	289.7	290.0	31.9	34.9	7.0	4.8	33.4	5.9
Motor fuel 2/	403.6	387.6	361.8	365.1	-5.4	13.9	-13.2	-33.0	3.8	-23.7
Gasoline 3/	403.5	387.4	361.6	364.9	-5.4	13.9	-13.3	-33.1	3.8	-23.8
Maintenance and repair	307.4	309.3	311.3	313.0	7.8	10.1	5.9	7.5	8.9	6.7
Other private transportation 1/	253.4	254.5	255.1	255.7	7.0	11.1	6.4	3.7	9.1	5.0
Other private trans. commodities 1/	214.8	215.6	214.9	216.9	6.9	2.5	2.7	4.0	4.7	3.3
Other private trans. services 1/	266.1	267.2	268.2	268.4	7.3	13.1	7.2	3.5	10.1	5.3
Public transportation 1/	336.8	336.7	339.3	342.1	44.7	8.5	6.6	6.6	25.3	6.6
Medical care	315.0	318.1	321.3	324.2	14.9	12.4	9.0	12.2	13.6	10.6
Medical care commodities	197.5	199.8	202.0	203.7	11.8	9.4	8.1	13.2	10.6	10.6
Medical care services	341.0	344.2	347.6	350.8	15.4	13.1	9.3	12.0	14.3	10.6
Professional services 1/	294.2	295.8	297.8	299.2	14.0	8.0	8.3	7.0	10.9	7.6
Other medical care services	397.6	402.7	407.9	413.1	16.9	17.7	9.8	16.5	17.3	13.1
Entertainment	231.2	232.3	232.9	233.6	5.6	9.7	6.5	4.2	7.5	5.3
Entertainment commodities	234.1	235.7	236.3	237.4	5.5	9.1	4.7	5.6	7.3	5.1
Entertainment services 1/	227.1	227.8	228.5	228.7	5.1	10.7	8.9	2.8	7.9	5.8
Other goods and services	249.8	252.2	254.4	256.1	7.6	12.1	8.6	10.5	9.8	9.5
Tobacco products 1/	230.7	234.1	235.1	237.4	3.2	12.0	8.2	12.1	7.5	10.1
Personal care 1/	242.3	243.7	245.9	246.5	8.2	4.5	8.0	7.1	6.3	7.5
Toilet goods and personal care appliances 1/	238.5	240.6	243.8	244.5	6.3	4.2	10.7	10.4	5.3	10.6
Personal care services 1/	246.5	247.3	248.7	249.2	9.9	4.7	5.7	4.5	7.3	5.1
Personal and educational expenses	287.5	290.4	293.7	296.4	10.7	21.5	11.2	13.0	16.0	12.1
School books and supplies	259.8	261.7	263.8	266.1	7.6	28.7	12.8	10.1	17.7	11.4
Personal and educational services	294.3	297.4	300.8	303.7	11.1	20.6	10.9	13.4	15.7	12.1
					Commodity and service group					
All items	-	-	-	-	11.3	8.4	3.7	3.7	9.8	3.7
Commodities	260.4	259.1	258.4	260.7	7.0	5.4	2.5	.5	6.2	1.5
Food and beverages	275.8	274.9	275.7	277.8	5.7	4.2	5.9	2.9	5.0	4.4
Commodities less food and beverages	249.2	247.9	246.5	248.9	7.7	6.0	1.0	-.5	6.8	.3
Nondurables less food and beverages	265.8	263.7	257.6	259.4	2.2	8.0	-4.1	-9.3	5.0	-6.8
Apparel commodities	180.0	180.7	180.8	180.5	4.6	.9	1.3	1.1	2.8	1.2
Nondurables less food, beverages, and apparel 1/	314.9	310.3	304.4	306.6	-.4	3.0	.3	-10.1	1.3	-5.1
Durables	234.6	235.1	236.5	239.8	12.5	3.0	3.8	9.2	7.7	6.5
Services	325.6	325.7	326.7	331.8	17.4	12.3	5.3	7.8	14.9	6.6
Rent, residential 1/	218.6	219.6	220.1	221.8	8.8	9.2	6.9	6.0	9.0	6.4
Household services less rent	394.8	393.3	398.0	402.8	22.0	13.3	4.3	8.4	17.6	6.3
Transportation services	287.6	288.6	290.1	291.2	14.5	11.3	6.6	5.1	12.9	5.7
Medical care services	341.0	344.2	347.6	350.8	15.4	13.1	9.3	12.0	14.3	10.6
Other services	252.5	253.9	255.6	256.6	8.6	11.8	7.6	6.7	10.2	7.1
Special indexes:										
All items less food	282.9	282.2	282.8	285.5	12.4	9.4	3.6	3.7	10.9	3.7
All items less shelter	269.1	268.8	268.4	270.0	8.1	8.9	4.3	1.3	8.5	2.8
All items less mortgage interest costs	267.4	267.2	267.6	269.8	9.4	6.6	4.0	3.6	8.0	3.8
All items less home purchase and mortgage interest costs	267.1	267.1	267.0	268.6	9.3	8.1	4.1	2.3	8.7	3.2
All items less medical care	282.2	281.3	281.8	284.4	11.2	8.3	3.6	3.2	9.7	3.4
Commodities less food	247.2	245.9	244.6	246.9	7.8	5.9	1.1	-.5	6.8	.3
Nondurables less food	260.6	258.7	253.0	254.7	2.4	7.5	-3.1	-8.8	4.9	-6.1
Nondurables less food and apparel 1/	300.5	296.6	291.4	293.4	.0	2.8	.5	-9.1	1.4	-4.4
Nondurables	271.4	269.9	267.7	269.4	4.9	5.8	-.1	-2.9	5.4	-1.5
Services less rent	346.1	346.0	349.4	352.8	18.5	12.9	5.1	8.0	15.7	6.5
Services less medical care 1/	321.1	321.1	324.0	327.5	18.1	10.9	5.4	8.2	14.5	6.8
Energy 1/	413.0	406.1	395.7	402.1	4.8	-1.9	-1.1	-10.1	1.4	-5.7
All items less energy 1/	273.4	273.6	275.7	278.3	12.5	7.4	4.5	7.4	9.9	5.9
All items less food and energy	270.3	270.1	272.2	274.6	14.9	8.2	5.0	7.0	11.5	6.0
Commodities less food and energy	225.4	226.2	227.4	229.9	10.6	3.5	4.4	8.2	7.0	6.3
Energy commodities 1/	440.1	424.5	406.6	410.2	-6.7	-1.5	-7.0	-24.5	-3.1	-16.2
Services less energy	321.7	321.3	324.4	327.3	17.2	12.5	4.7	7.1	14.8	5.9

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 3. Consumer Price Index for All Urban Consumers: Selected areas, all items index. 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes Feb. 1982	Indexes Mar. 1982	Indexes Apr. 1982	Indexes May 1982	Percent change to May 1982 from- May 1981	Percent change to May 1982 from- Mar. 1982	Percent change to May 1982 from- Apr. 1982	Percent change to Apr. 1982 from- Apr. 1981	Percent change to Apr. 1982 from- Feb. 1982	Percent change to Apr. 1982 from- Mar. 1982
U.S. city average			283.4	283.1	284.3	287.1	6.7	1.4	1.0	6.6	0.3	0.4
Chicago, Ill.-Northwestern Ind.	M		274.9	276.4	280.2	287.7	8.8	4.1	2.7	6.2	1.9	1.4
Detroit, Mich.	M		277.8	278.2	283.7	285.9	3.9	2.8	.8	4.1	2.1	2.0
L.A.-Long Beach, Anaheim, Calif.	M		285.6	286.6	286.8	287.1	7.4	.2	.1	8.0	.4	.1
N.Y., N.Y.-Northeastern N.J.	M		269.0	267.6	268.2	270.9	5.5	1.3	1.0	5.0	-.3	.3
Philadelphia, Pa.-N.J.	M		275.5	274.7	275.1	275.2	5.0	.1	.0	5.4	-.1	.1
Anchorage, Alaska	1	10/67	-	260.0	-	263.8	7.8	1.5	-	-	-	-
Baltimore, Md.	1		-	281.9	-	283.6	5.2	.6	-	-	-	-
Boston, Mass.	1		-	269.8	-	272.5	3.6	1.0	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	284.9	-	288.7	6.3	1.3	-	-	-	-
Denver-Boulder, Colo.	1		-	309.2	-	313.8	8.7	1.6	-	-	-	-
Miami, Fla.	1	11/77	-	155.1	-	155.7	8.7	.4	-	-	-	-
Milwaukee, Wis.	1		-	289.2	-	292.9	5.2	1.3	-	-	-	-
Northeast Pennsylvania	1		-	267.2	-	270.2	4.0	1.1	-	-	-	-
Portland, Oreg.-Wash.	1		-	286.7	-	282.1	1.3	-1.6	-	-	-	-
St. Louis, Mo.-Ill.	1		-	280.7	-	285.7	6.6	1.8	-	-	-	-
San Diego, Calif.	1		-	319.0	-	329.2	10.7	3.2	-	-	-	-
Seattle-Everett, Wash.	1		-	293.4	-	301.2	9.6	2.7	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	278.6	-	278.4	5.2	-.1	-	-	-	-
Atlanta, Ga.	2		279.8	-	280.2	-	-	-	-	5.4	.1	-
Buffalo, N.Y.	2		259.9	-	258.1	-	-	-	-	3.5	-.6	-
Cleveland, Ohio	2		285.9	-	286.5	-	-	-	-	5.3	.2	-
Dallas-Fort Worth, Tex.	2		293.6	-	297.2	-	-	-	-	6.3	1.2	-
Honolulu, Hawaii	2		282.2	-	283.8	-	-	-	-	5.5	.6	-
Houston, Tex.	2		308.1	-	308.9	-	-	-	-	6.5	.3	-
Kansas City, Mo.-Kans.	2		276.0	-	274.0	-	-	-	-	3.2	-.7	-
Minneapolis-St. Paul, Minn.-Wis.	2		308.0	-	303.7	-	-	-	-	13.2	-1.4	-
Pittsburgh, Pa.	2		278.6	-	275.3	-	-	-	-	3.6	-1.2	-
San Francisco-Oakland, Calif.	2		295.8	-	298.8	-	-	-	-	10.5	1.0	-
Region 3/												
Northeast	2	12/77	147.6	-	147.2	-	-	-	-	4.8	-.3	-
North Central	2	12/77	152.1	-	154.1	-	-	-	-	7.2	1.3	-
South	2	12/77	154.3	-	153.6	-	-	-	-	6.4	-.5	-
West	2	12/77	156.1	-	156.9	-	-	-	-	8.1	.5	-
Population size class 3/												
A-1	2	12/77	148.5	-	149.3	-	-	-	-	5.0	.5	-
A-2	2	12/77	156.3	-	156.3	-	-	-	-	6.8	.0	-
B	2	12/77	154.9	-	154.8	-	-	-	-	6.3	-.1	-
C	2	12/77	152.8	-	153.0	-	-	-	-	6.5	.1	-
D	2	12/77	151.9	-	153.9	-	-	-	-	8.3	1.3	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	144.2	-	143.6	-	-	-	-	4.6	-.4	-
North Central/A	2	12/77	153.6	-	155.2	-	-	-	-	6.4	1.0	-
South/A	2	12/77	152.6	-	152.9	-	-	-	-	6.1	.2	-
West/A	2	12/77	157.9	-	158.5	-	-	-	-	8.8	.4	-
Northeast/B	2	12/77	150.7	-	150.0	-	-	-	-	3.9	-.5	-
North Central/B	2	12/77	151.9	-	155.1	-	-	-	-	8.1	2.1	-
South/B	2	12/77	157.2	-	155.7	-	-	-	-	6.1	-1.0	-
West/B	2	12/77	157.1	-	157.0	-	-	-	-	7.0	-.1	-
Northeast/C	2	12/77	158.1	-	158.6	-	-	-	-	5.9	.3	-
North Central/C	2	12/77	149.1	-	151.2	-	-	-	-	7.8	1.4	-
South/C	2	12/77	154.0	-	152.3	-	-	-	-	6.0	-1.1	-
West/C	2	12/77	150.4	-	151.1	-	-	-	-	6.3	.6	-
Northeast/D	2	12/77	151.8	-	151.9	-	-	-	-	5.9	.1	-
North Central/D	2	12/77	151.0	-	153.2	-	-	-	-	8.8	1.5	-
South/D	2	12/77	152.3	-	153.5	-	-	-	-	8.1	.8	-
West/D	2	12/77	153.3	-	157.9	-	-	-	-	10.3	3.0	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:
A-1 More than 4,000,000.
A-2 1,250,000 to 4,000,000.
B 385,000 to 1,250,000.
C 75,000 to 385,000.
D Less than 75,000.
Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: Price changes within areas are found in the Consumer Price Index. Differences in living costs among areas are found in Family Budgets.

TABLE 4. Consumer Price Index for urban wage earners and clerical workers: U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Relative importance, December 1981	Unadjusted indexes Apr. 1982	Unadjusted indexes May 1982	Unadjusted percent change to May 1982 from— May 1981	Unadjusted percent change to May 1982 from— Apr. 1982	Seasonally adjusted percent change from— Feb. to Mar.	Seasonally adjusted percent change from— Mar. to Apr.	Seasonally adjusted percent change from— Apr. to May
				Expenditure category				
All items	100.000	283.7	286.5	6.5	1.0	-0.2	0.2	0.9
All items (1957-59=100)	-	329.9	333.2	-	-	-	-	-
Food and beverages	19.136	276.8	278.8	6.7	.8	-.4	.2	.8
Food	18.089	284.1	285.7	6.7	.6	-.2	.2	.8
Food at home	12.485	277.0	278.8	6.3	.6	-.5	.3	1.0
Cereals and bakery products 1/	1.639	280.6	282.8	6.7	.8	.1	.1	.8
Meats, poultry, fish, and eggs	4.108	257.8	260.7	5.0	1.1	-.5	1.1	2.1
Dairy products 1/	1.640	246.0	246.3	1.0	-.2	.0	.6	-.2
Fruits and vegetables	1.721	290.3	293.6	7.0	1.1	-2.1	-.8	1.2
Sugar and sweets 1/	.483	365.2	365.6	-.7	.1	.6	-.1	.1
Fats and oils 1/	.361	260.4	260.6	-3.8	.1	-.3	.3	.1
Nonalcoholic beverages	1.417	626.0	627.3	3.1	.3	.6	-.3	.3
Other prepared foods	1.126	268.3	269.3	5.7	.4	.5	.8	.1
Food away from home	5.604	306.7	307.8	5.0	.8	.8	.2	.6
Alcoholic beverages	1.087	209.5	210.1	4.4	.3	.1	.2	.1
Housing	42.057	308.2	313.7	8.9	1.5	-.5	.9	1.6
Shelter	29.085	332.8	338.3	9.3	1.7	-.6	1.3	1.7
Rent, residential 1/	6.819	219.6	221.3	7.7	.8	.5	.8	.8
Other rental costs	.513	322.8	322.6	12.8	-.1	1.1	1.0	.2
Homeownership	23.672	373.6	380.5	9.6	1.8	-.8	1.5	1.9
Home purchase 1/	8.363	270.5	278.1	6.1	2.8	-.4	1.3	2.8
Financing, taxes, and insurance 1/	12.131	516.0	523.8	12.8	1.5	-2.2	1.8	1.5
Maintenance and repairs	3.178	328.3	330.9	7.7	.8	-.8	1.2	.9
Maintenance and repair services	2.314	365.0	368.0	9.0	.8	-.9	1.5	.9
Maintenance and repair commodities 1/	.865	249.7	251.3	6.2	.6	.2	.4	.6
Fuel and other utilities	5.789	300.2	306.3	9.8	1.8	.5	.1	1.1
Fuels	5.048	427.8	437.8	8.7	2.2	.5	-.4	1.2
Fuel oil, coal, and bottled gas 1/	1.387	646.0	647.7	-5.9	.6	-2.0	-3.6	.6
Gas (piped) and electricity	3.660	376.8	387.6	14.6	2.9	1.7	.6	1.6
Other utilities and public services 1/	1.728	198.2	199.5	13.0	.7	.6	1.6	.7
Household furnishings and operation	6.866	229.1	230.0	6.1	.4	.3	.6	.4
Housefurnishings	3.905	191.7	192.5	5.7	.4	.2	.4	.5
Housekeeping supplies 1/	1.479	281.2	281.8	6.1	.2	.6	.3	.2
Housekeeping services 1/	1.481	309.2	310.2	7.0	.3	.5	.3	.3
Apparel and upkeep	4.629	191.2	190.6	2.6	-.3	.7	.1	-.6
Apparel commodities	3.991	181.3	180.5	1.6	-.4	.0	-.1	-.6
Men's and boys' apparel	1.253	182.9	183.7	3.6	.4	.1	.0	.2
Women's and girls' apparel	1.472	163.4	160.8	.5	-1.6	1.9	-.1	-1.3
Infants' and toddlers' apparel	.119	278.2	279.3	3.5	.4	.5	.0	.5
Footwear	.647	206.1	206.9	3.5	.4	.5	-.1	.2
Other apparel commodities 1/	.500	199.5	198.0	-2.6	-.8	-.8	-1.0	-.8
Apparel services	.638	271.0	272.3	7.1	.5	.6	.7	.6
Transportation	21.835	284.3	287.1	2.9	1.0	-1.0	-1.7	.5
Private transportation	20.681	281.2	284.0	2.7	1.0	-1.0	-1.8	.5
New cars	3.703	195.9	197.3	3.7	.7	.1	.8	.2
Used cars	4.215	285.2	291.4	18.8	2.2	.5	.6	.1
Motor fuel 2/	6.831	368.2	371.9	-11.0	1.0	-3.9	-6.7	.9
Gasoline 3/	6.696	367.9	371.7	-11.0	1.0	-3.9	-6.7	.9
Maintenance and repair	1.596	312.8	314.4	7.9	.5	.1	.6	.7
Other private transportation 1/	4.336	250.2	250.8	7.0	.2	.6	.2	.2
Other private trans. commodities 1/	.750	217.3	219.6	3.6	1.0	.0	-.6	1.0
Other private trans. services 1/	3.580	271.6	271.8	7.7	.1	.6	.3	.1
Public transportation 1/	1.154	333.3	335.1	16.3	.5	.0	.7	.5
Medical care	4.392	320.2	322.3	10.8	.7	.8	1.0	.8
Medical care commodities	.732	203.0	204.8	10.2	.9	1.1	1.0	.8
Medical care services	3.661	345.8	348.0	11.0	.6	.0	1.0	.8
Professional services 1/	1.836	297.9	299.3	7.7	.5	.5	.7	.5
Other medical care services	1.824	605.4	608.5	16.6	.8	1.0	1.6	1.3
Entertainment	3.396	230.5	231.1	6.2	.3	.3	.8	.2
Entertainment commodities	2.155	232.6	232.8	5.6	.1	.3	.4	.1
Entertainment services 1/	1.241	220.2	220.2	7.0	.0	.2	.6	.0
Other goods and services	3.959	250.9	252.4	9.5	.6	1.0	.8	.7
Tobacco products 1/	1.257	234.0	236.6	8.6	1.1	1.5	.3	1.1
Personal care 1/	1.615	266.1	266.7	7.1	.2	.6	1.0	.2
Toilet goods and personal care appliances 1/	.788	264.7	265.4	8.8	.3	1.0	1.3	.3
Personal care services 1/	.827	266.0	266.6	5.6	.2	.3	.6	.2
Personal and educational expenses	1.088	293.5	296.6	16.3	.6	1.0	1.2	1.1
School books and supplies	.160	260.0	260.6	16.6	.1	.8	.9	.9
Personal and educational services	.928	300.0	301.6	16.3	.5	1.1	1.3	1.1
				Commodity and service group				
All items	100.000	283.7	286.5	6.5	1.0	-0.2	0.2	0.9
Commodities	59.723	259.2	261.7	3.7	1.0	-.4	-.3	.9
Food and beverages	19.136	276.8	278.8	6.7	.8	-.4	.2	.8
Commodities less food and beverages	40.587	247.2	250.1	2.2	1.2	-.5	-.7	.8
Nondurables less food and beverages	18.786	261.2	262.8	-1.5	.6	-.9	-2.0	.6
Apparel commodities	3.991	181.3	180.5	1.6	-.4	.0	-.1	-.6
Nondurables less food, beverages, and apparel 1/	14.795	305.2	307.5	-2.3	.8	-1.5	-2.0	.8
Durables	21.801	236.0	238.9	7.4	1.7	.1	.6	1.5
Services	40.277	329.1	332.6	13.0	1.0	.0	1.0	.8
Rent, residential 1/	6.819	219.6	221.3	7.7	.8	.5	.2	.8
Household services less rent	21.838	402.3	408.2	12.3	1.5	-.6	1.6	1.3
Transportation services	6.329	289.2	290.0	9.2	.3	.3	.5	.3
Medical care services	3.661	345.8	348.0	11.0	.6	.0	1.0	.8
Other services	3.630	253.0	254.6	8.5	.6	.5	.7	.6
Special indexes:								
All items less food	81.911	282.5	285.6	6.4	1.1	-.2	.2	.9
All items less shelter	70.995	268.8	270.7	5.3	.7	-.1	-.3	.8
All items less mortgage interest costs	89.730	267.5	270.3	5.7	.8	-.1	.1	.8
All items less home purchase and mortgage interest costs	81.373	267.7	269.6	5.6	.7	-.1	.3	.6
All items less medical care	95.608	281.5	284.3	6.2	1.0	-.3	.2	.9
Commodities less food	41.636	245.3	248.1	2.2	1.1	-.5	-.6	.8
Nondurables less food	19.833	256.6	257.8	-1.2	.5	-.8	-2.3	.7
Nondurables less food and apparel 1/	15.842	302.3	304.6	-1.9	.7	-1.6	-1.8	.7
Nondurables	37.922	270.1	271.5	1.8	.5	-.7	-.7	.6
Services less rent	33.458	350.2	353.8	11.2	1.0	.0	1.2	.8
Services less medical care 1/	36.617	326.9	330.3	10.8	1.0	.8	1.8	1.0
Energy 1/	11.902	396.9	401.1	-2.0	1.0	-1.8	-3.7	1.0
All items less energy 1/	88.018	274.5	277.6	7.8	.9	.1	.8	.9
All items less food and energy	69.920	270.9	273.6	8.6	1.0	.1	.8	.8
Commodities less food and energy	33.312	220.4	223.1	6.6	1.2	.4	.5	1.1
Energy commodities 1/	8.322	406.9	410.5	-10.0	.9	-3.0	-6.3	.9
Services less energy	36.617	325.2	327.9	10.6	.8	-.3	1.1	.8
Purchasing power of the consumer dollar:								
1967=$1.00 1/	-	$0.352	$0.349	-6.2	-.9	.3	-.6	-.9
1957-59=$1.00 1/	-	.303	.300	-	-	-	-	-

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE. Index applies to a month as a whole, not to any specific date.

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TABLE 5. Consumer Price Index for urban wage earners and clerical workers: Seasonally adjusted U.S. city average, by expenditure category and commodity and service group, 1967=100

Group	Seasonally adjusted indexes				Seasonally adjusted annual rate percent change for-					
					3 months ending in				6 months ending in	
	Feb. 1982	Mar. 1982	Apr. 1982	May 1982	Aug. 1981	Nov. 1981	Feb. 1982	May 1982	Nov. 1981	May 1982
	Expenditure category									
All items	-	-	-	-	11.2	8.2	3.5	3.4	9.7	3.4
Food and beverages	275.8	275.3	276.0	278.1	5.0	3.8	5.4	3.4	4.8	4.4
Food	283.1	282.5	283.2	285.5	5.5	4.0	5.3	3.4	4.7	4.3
Food at home	276.7	275.6	276.2	279.0	5.2	2.5	6.2	3.4	3.8	4.8
Cereals and bakery products 1/	279.8	280.0	280.4	282.0	3.9	5.2	6.0	3.2	4.6	4.6
Meats, poultry, fish, and eggs	255.6	254.1	257.0	262.5	11.0	1.3	-.5	11.6	6.1	5.4
Dairy products 1/	265.8	265.9	266.0	266.1	.0	1.3	1.8	.8	.7	1.3
Fruits and vegetables	290.3	289.1	288.4	290.4	6.2	3.2	33.1	-10.2	4.7	9.4
Sugar and sweets 1/	366.1	365.6	365.2	365.6	-5.7	-4.0	5.8	1.7	-4.9	3.7
Fats and oils 1/	260.6	259.7	260.4	260.6	-1.4	-8.1	-3.7	.0	-5.7	-1.9
Nonalcoholic beverages	625.8	627.5	626.4	627.7	-4.1	6.5	7.7	2.6	1.1	5.1
Other prepared foods	266.4	267.6	267.5	268.2	10.0	6.9	2.7	2.7	8.4	2.7
Food away from home	303.9	305.1	305.0	306.9	6.6	6.9	4.0	4.0	6.8	4.0
Alcoholic beverages	208.2	208.4	208.9	209.1	7.4	2.6	6.4	1.7	5.0	3.9
Housing	307.2	306.6	309.3	313.5	10.5	7.3	3.7	8.5	11.0	6.1
Shelter	330.6	328.6	332.7	338.3	19.7	6.5	2.3	9.8	12.9	6.1
Rent, residential 1/	218.1	219.1	219.6	221.3	8.8	9.1	6.9	6.0	9.0	6.4
Other rental costs	313.7	317.0	321.5	322.3	17.7	16.6	7.5	11.6	16.1	9.4
Homeownership	371.0	367.0	373.0	380.5	21.2	5.9	1.2	10.6	13.6	5.8
Home purchase 1/	268.3	267.1	270.5	270.1	16.3	-5.3	-.6	15.6	4.9	7.2
Financing, taxes, and insurance 1/	513.2	507.0	516.0	523.0	20.5	16.1	1.0	8.5	21.0	4.7
Maintenance and repairs	325.8	323.7	327.5	330.6	11.4	7.7	5.7	5.8	9.5	5.7
Maintenance and repair services	361.9	358.6	363.9	367.3	14.6	9.7	5.7	6.1	12.2	5.9
Maintenance and repair commodities 1/	248.2	248.6	249.7	251.3	3.6	2.3	6.2	5.1	2.8	5.6
Fuel and other utilities	340.7	342.5	342.7	346.3	13.2	11.3	7.9	6.7	12.2	7.3
Fuels	631.6	633.8	632.8	637.1	11.4	9.8	6.9	5.2	10.6	7.0
Fuel oil, coal, and bottled gas 1/	686.0	686.7	684.0	687.7	-9.1	.0	4.0	-20.5	-4.7	-8.1
Gas (piped) and electricity	372.9	370.6	381.8	387.0	19.1	13.4	10.1	16.0	16.3	13.0
Other utilities and public services 1/	196.3	195.6	198.2	198.5	18.6	15.8	7.1	11.1	17.0	9.1
Household furnishings and operation	227.0	227.7	228.5	229.6	7.2	5.5	6.2	4.3	6.9	5.1
Housefurnishings	189.7	190.0	190.7	191.7	8.2	5.1	5.2	4.3	6.6	4.8
Housekeeping supplies 1/	278.0	280.6	281.4	281.8	6.8	5.5	10.5	4.4	6.9	7.4
Housekeeping services 1/	306.0	308.2	309.2	310.2	7.6	12.5	3.9	6.5	9.9	4.2
Apparel and upkeep	189.2	190.6	190.7	190.0	6.6	.0	3.3	1.7	3.3	1.5
Apparel commodities	179.6	181.0	180.8	180.0	6.0	-1.1	.9	.9	2.6	.9
Men's and boys' apparel	181.0	182.0	182.7	183.0	6.7	2.0	2.2	2.7	4.0	2.4
Women's and girls' apparel	158.8	162.8	162.6	160.5	5.6	-6.7	1.8	1.8	-.7	1.8
Infants' and toddlers' apparel	275.5	276.0	276.0	278.2	14.8	-5.0	2.0	4.0	3.5	3.4
Footwear	204.9	206.0	205.7	206.1	6.2	6.2	1.2	2.6	5.2	1.8
Other apparel commodities 1/	202.8	201.6	199.5	198.8	4.0	.0	-6.3	-7.7	2.0	-7.0
Apparel services	266.7	267.7	268.7	270.9	9.6	7.6	6.6	4.4	8.7	5.5
Transportation	291.6	288.8	286.0	285.3	8.5	10.9	-1.1	-8.4	11.7	-4.8
Private transportation	288.9	286.0	280.9	282.2	8.4	15.2	-1.6	-9.0	10.7	-5.4
New cars	194.3	194.6	195.9	196.2	5.8	3.1	-.8	4.2	4.5	1.9
Used cars	286.6	288.1	289.0	290.0	31.9	36.9	7.0	4.8	33.4	5.9
Motor fuel 2/	404.7	389.1	363.1	366.6	-5.3	16.0	-13.3	-32.8	3.9	-23.7
Gasoline 3/	404.6	388.9	362.6	366.2	-5.3	16.0	-13.6	-32.9	3.9	-23.8
Maintenance and repair	307.4	309.9	311.9	314.1	7.9	10.7	5.1	8.6	9.2	6.8
Other private transportation 1/	256.6	257.8	258.2	258.8	6.3	12.6	6.1	3.2	9.4	4.6
Other private trans. commodities 1/	217.3	218.2	217.3	219.4	3.3	6.5	.9	3.9	4.9	2.4
Other private trans. services 1/	269.8	270.8	271.6	271.8	6.8	13.9	7.3	3.0	10.3	5.1
Public transportation 1/	331.0	331.0	333.3	335.1	53.7	9.4	3.5	5.0	28.7	4.2
Medical care	310.1	316.7	319.0	322.6	10.9	11.0	9.4	11.3	11.0	10.3
Medical care commodities	198.1	200.8	202.4	204.0	11.9	8.9	7.8	12.0	10.4	9.9
Medical care services	339.6	342.2	345.7	348.7	10.6	12.5	10.0	11.2	11.5	10.6
Professional services 1/	294.3	295.9	297.9	299.3	6.9	8.2	8.7	7.0	7.5	7.9
Other medical care services	395.6	399.1	405.0	410.1	14.6	17.2	10.6	15.5	15.9	13.0
Entertainment	228.1	228.8	229.7	230.2	6.2	9.2	5.6	3.7	7.7	4.6
Entertainment commodities	228.9	229.7	230.6	231.4	6.5	7.6	3.9	4.4	7.1	4.2
Entertainment services 1/	227.8	228.4	229.2	229.2	5.3	12.3	8.1	2.5	8.8	5.3
Other goods and services	246.8	249.3	251.4	253.2	6.7	11.3	9.1	10.8	9.0	9.9
Tobacco products 1/	229.8	233.2	236.0	236.6	2.6	12.0	8.0	12.4	7.1	10.2
Personal care 1/	240.4	241.8	244.1	244.7	7.2	5.4	8.6	7.3	6.3	8.0
Toilet goods and personal care appliances 1/	239.2	241.5	244.7	245.4	7.1	6.6	10.9	10.8	6.9	10.8
Personal care services 1/	261.8	262.6	266.0	266.6	7.5	8.1	6.6	6.6	5.8	5.4
Personal and educational expenses	288.7	291.8	295.2	298.3	11.2	20.7	11.7	14.0	15.8	12.9
School books and supplies	263.9	265.6	268.0	270.3	8.0	26.5	13.6	10.1	16.9	11.8
Personal and educational services	295.1	298.3	302.1	305.4	11.7	19.8	11.3	14.7	15.7	13.0
	Commodity and service group									
All items	-	-	-	-	11.2	8.2	3.5	3.4	9.7	3.4
Commodities	260.7	259.6	258.7	260.9	7.2	5.6	2.2	.3	6.4	1.2
Food and beverages	275.8	275.3	276.0	278.1	5.0	3.8	5.4	3.4	4.8	4.4
Commodities less food and beverages	249.0	248.5	246.8	249.0	7.9	6.5	.6	-1.1	7.2	-.3
Nondurables less food and beverages	260.0	255.6	259.2	260.8	2.8	7.7	-6.5	-10.3	4.8	-7.5
Apparel commodities	179.6	181.0	180.8	180.0	6.0	-1.1	.9	.9	2.4	.9
Nondurables less food, beverages, and apparel 1/	316.4	311.5	305.2	307.5	-.5	2.8	-.4	-10.8	1.1	-5.7
Durables	233.7	234.0	235.5	239.1	11.2	3.7	3.7	9.8	8.3	6.6
Services	327.9	326.0	329.4	332.4	17.6	12.6	5.1	8.2	14.9	6.6
Rent, residential 1/	218.1	219.1	219.6	221.3	8.8	9.1	6.9	6.0	9.0	6.4
Household services less rent	398.9	397.4	403.0	408.0	23.3	13.5	3.9	9.6	18.3	6.6
Transportation services	286.5	287.6	289.0	289.9	14.1	12.3	6.1	6.7	13.2	5.6
Medical care services	339.6	342.2	345.7	348.7	10.6	12.5	10.0	11.2	11.5	10.6
Other services	251.0	252.7	254.1	255.1	8.1	12.5	7.5	6.7	9.7	7.1
Special indexes:										
All items less food	282.6	281.9	282.4	285.0	12.8	9.4	3.2	3.4	10.9	3.3
All items less shelter	269.5	269.2	268.5	270.1	7.9	9.0	6.0	.9	8.4	2.4
All items less mortgage interest costs	267.5	267.3	267.6	269.0	9.6	6.6	3.0	3.5	8.0	3.4
All items less home purchase and mortgage interest costs	267.5	267.1	267.2	268.8	9.1	8.1	3.5	2.0	8.6	2.7
All items less medical care	281.6	280.8	281.3	283.8	11.1	8.3	3.2	3.2	9.7	3.2
Commodities less food	247.8	246.5	244.9	247.1	7.7	6.4	.8	-1.1	7.1	-.2
Nondurables less food	262.7	260.5	256.6	256.3	2.5	5.6	-2.5	-9.6	4.1	-6.0
Nondurables less food and apparel 1/	302.6	297.8	292.3	294.4	-.1	2.7	.0	-9.7	1.3	-5.0
Nondurables	272.5	270.5	268.5	270.1	4.9	5.6	-.4	-3.0	5.3	-2.0
Services less rent	346.7	344.6	350.6	353.9	18.6	12.8	4.9	8.6	15.7	6.7
Services less medical care 1/	321.6	321.6	324.9	328.3	18.7	10.9	5.3	8.6	14.7	6.9
Energy 1/	415.4	407.9	396.9	403.1	3.8	-1.5	-1.8	-11.3	1.2	-6.7
All items less energy 1/	272.1	272.3	274.5	277.0	12.5	7.8	4.4	7.6	9.7	5.9
All items less food and energy	268.5	268.8	270.9	273.1	16.0	7.9	4.8	7.0	11.6	5.9
Commodities less food and energy	226.5	225.4	226.6	229.1	11.1	3.9	6.0	8.5	7.6	6.2
Energy commodities 1/	440.7	425.7	404.9	415.5	-4.7	-1.6	-7.2	-34.7	-3.0	-16.4
Services less energy	322.1	321.6	325.1	327.9	17.3	13.3	6.6	7.6	16.0	6.0

1/ Not seasonally adjusted.
2/ New series; includes direct pricing of diesel and gasohol as of September 1981.
3/ Includes direct pricing of gasohol as of September 1981.
NOTE: Index applies to a month as a whole, not to any specific date.

TABLE 6. Consumer Price Index for urban wage earners and clerical workers: Selected areas, all items index, 1967=100 unless otherwise noted

Area 1/	Pricing schedule 2/	Other index base	Indexes				Percent change to May 1982 from-			Percent change to Apr. 1982 from-		
			Feb. 1982	Mar. 1982	Apr. 1982	May 1982	May 1981	Mar. 1982	Apr. 1982	Apr. 1981	Feb. 1982	Mar. 1982
U.S. city average			282.9	282.5	283.7	286.5	6.5	1.4	1.0	6.3	0.3	0.4
Chicago, Ill.-Northwestern Ind.	M		275.4	276.5	280.0	287.0	8.8	3.8	2.5	6.5	1.7	1.3
Detroit, Mich.	M		274.8	275.1	280.3	282.7	4.2	2.8	.9	6.6	2.0	1.9
L.A.-Long Beach, Anaheim, Calif.	M		289.4	290.4	290.5	290.6	7.4	.1	.0	8.0	.4	.0
N.Y., N.Y.-Northeastern N.J.	M		267.8	265.9	266.5	269.4	5.3	1.3	1.1	4.6	-.5	.2
Philadelphia, Pa.-N.J.	M		275.1	274.3	274.5	274.7	4.5	.1	.1	5.0	-.2	.1
Anchorage, Alaska	1	10/67	-	254.5	-	258.0	7.5	1.4	-	-	-	-
Baltimore, Md.	1		-	282.2	-	283.7	5.6	.5	-	-	-	-
Boston, Mass.	1		-	269.8	-	272.0	3.2	.8	-	-	-	-
Cincinnati, Ohio-Ky.-Ind.	1		-	287.2	-	291.2	6.5	1.4	-	-	-	-
Denver-Boulder, Colo.	1		-	315.0	-	319.5	8.9	1.4	-	-	-	-
Miami, Fla.	1	11/77	-	156.4	-	157.0	8.4	.4	-	-	-	-
Milwaukee, Wis.	1		-	292.5	-	296.0	4.4	1.2	-	-	-	-
Northeast Pennsylvania	1		-	268.4	-	272.1	3.3	1.4	-	-	-	-
Portland, Oreg.-Wash.	1		-	283.9	-	279.7	1.3	-1.5	-	-	-	-
St. Louis, Mo.-Ill.	1		-	279.3	-	284.5	6.0	1.9	-	-	-	-
San Diego, Calif.	1		-	313.9	-	323.3	10.5	3.0	-	-	-	-
Seattle-Everett, Wash.	1		-	289.6	-	297.1	9.4	2.6	-	-	-	-
Washington, D.C.-Md.-Va.	1		-	283.8	-	283.3	5.0	-.2	-	-	-	-
Atlanta, Ga.	2		282.7	-	282.9	-	-	-	-	5.2	.1	-
Buffalo, N.Y.	2		258.0	-	256.4	-	-	-	-	1.5	-.6	-
Cleveland, Ohio	2		285.0	-	285.7	-	-	-	-	5.0	.2	-
Dallas-Fort Worth, Tex.	2		289.8	-	292.7	-	-	-	-	5.7	1.0	-
Honolulu, Hawaii	2		263.2	-	264.7	-	-	-	-	5.8	.6	-
Houston, Tex.	2		300.3	-	302.1	-	-	-	-	6.7	.6	-
Kansas City, Mo.-Kans.	2		274.1	-	272.1	-	-	-	-	3.0	-.7	-
Minneapolis-St. Paul, Minn.-Wis.	2		305.3	-	301.2	-	-	-	-	12.7	-1.3	-
Pittsburgh, Pa.	2		280.0	-	276.7	-	-	-	-	3.5	-1.2	-
San Francisco-Oakland, Calif.	2		294.9	-	297.8	-	-	-	-	9.9	1.0	-
Region 3/												
Northeast	2	12/77	147.2	-	146.7	-	-	-	-	4.5	-.3	-
North Central	2	12/77	152.0	-	153.8	-	-	-	-	7.0	1.2	-
South	2	12/77	154.1	-	153.5	-	-	-	-	6.2	-.4	-
West	2	12/77	156.6	-	157.3	-	-	-	-	7.9	.4	-
Population size class 3/												
A-1	2	12/77	148.5	-	149.2	-	-	-	-	5.7	.5	-
A-2	2	12/77	153.0	-	153.8	-	-	-	-	6.5	.5	-
B	2	12/77	154.6	-	154.5	-	-	-	-	5.9	-.1	-
C	2	12/77	152.4	-	152.6	-	-	-	-	6.3	.1	-
D	2	12/77	152.2	-	154.0	-	-	-	-	8.2	1.2	-
Region/population size class cross classification 3/												
Northeast/A	2	12/77	143.8	-	143.1	-	-	-	-	4.3	-.5	-
North Central/A	2	12/77	153.1	-	154.6	-	-	-	-	6.3	1.0	-
South/A	2	12/77	153.0	-	153.5	-	-	-	-	6.4	.3	-
West/A	2	12/77	158.2	-	158.8	-	-	-	-	8.5	.4	-
Northeast/B	2	12/77	150.6	-	149.7	-	-	-	-	3.8	-.6	-
North Central/B	2	12/77	152.9	-	155.8	-	-	-	-	7.0	1.9	-
South/B	2	12/77	156.3	-	154.8	-	-	-	-	5.7	-1.0	-
West/B	2	12/77	157.2	-	157.1	-	-	-	-	6.9	-.1	-
Northeast/C	2	12/77	157.4	-	157.7	-	-	-	-	5.4	.2	-
North Central/C	2	12/77	148.0	-	149.9	-	-	-	-	7.6	1.3	-
South/C	2	12/77	153.9	-	152.1	-	-	-	-	5.6	-1.2	-
West/C	2	12/77	151.3	-	152.0	-	-	-	-	6.3	.5	-
Northeast/D	2	12/77	151.7	-	152.1	-	-	-	-	6.2	.3	-
North Central/D	2	12/77	151.8	-	154.1	-	-	-	-	8.8	1.5	-
South/D	2	12/77	152.3	-	153.3	-	-	-	-	7.9	.7	-
West/D	2	12/77	153.2	-	157.9	-	-	-	-	10.1	3.1	-

1/ Area is generally the Standard Metropolitan Statistical Area (SMSA), exclusive of farms. L.A.-Long Beach, Anaheim, Calif. is a combination of two SMSA's, and N.Y., N.Y.-Northeastern N.J. and Chicago, Ill.-Northwestern Ind. are the more extensive Standard Consolidated Areas. Area definitions are those established by the Office of Management and Budget in 1973, except for Denver-Boulder, Colo. which does not include Douglas County. Definitions do not include revisions made since 1973.

2/ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.
1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

3/ Regions are defined as the four Census regions.
The population size classes are aggregations of areas which have urban population as defined below:

A-1	More than 4,000,000.
A-2	1,250,000 to 4,000,000.
B	385,000 to 1,250,000.
C	75,000 to 385,000.
D	Less than 75,000.

Population size class A is the aggregation of population size classes A-1 and A-2.

NOTE: - Price changes within areas are found in the Consumer Price Index; differences in living costs among areas are found in Family Budgets.

GASOLINE AND FOOD PRICES, INTEREST RATES

Representative REUSS. Thank you very much, Ms. Norwood.

As you say, the main causes of this disastrous return to double-digit inflation are gasoline and food. Now the fact is that gasoline prices continue to rise, do they not? Your figures are for May, but that rise has not tapered off, has it?

Ms. NORWOOD. That is correct. There seems to be some evidence of increasing gasoline prices. However, the big effect on the index for May was the shift from negative to positive in the gasoline component.

Representative REUSS. Meat prices rose very sharply, 2.1 percent in May. Isn't it a fact that meat prices at the wholesale level are continuing upward, and isn't it true that that is likely to produce a continued sharp inflation in meat prices after May?

Ms. NORWOOD. Well, my understanding of the Agriculture Department forecasts are that there is some anticipation of continued increases in food prices.

Representative REUSS. Is it not further a fact that the May index, on which you are reporting today, didn't pick up the very sharp rise in interest rates that is currently taking place?

Ms. NORWOOD. Yes, there is some lag. However, there is the problem, as I know you are very well aware, Mr. Chairman, of the many changes in financing arrangements for houses that we do not pick up in the index.

Representative REUSS. Creative financing and Uncle Fred helping out on the mortgage?

Ms. NORWOOD. Yes. Some on the downside as well.

Representative REUSS. But where Uncle Fred doesn't exist, things are worse for the homebuyer, are they not?

Ms. NORWOOD. They certainly can be.

Representative REUSS. The net of it is that gasoline, food, and interest rates, the big disaster items, seem to be getting worse, not better. Isn't that so?

Ms. NORWOOD. Certainly, the index for May shows that.

ANTI-INFLATION POLICY

Representative REUSS. Now, I have been, as you know, skeptical of the administration's anti-inflation campaign. Their one weapon has been very high interest rates and the resultant recession. Frankly, I don't see very many visible signs of how the Reagan anti-inflation program is supposed to have worked.

Theoretically, if interest rates are high enough and recession is cruel enough, businessmen panic and sell their goods at lower prices. But I don't see that happening. Even in housing, where we know there is a lot of distress, prices are up.

So, where is all this great tradeoff? It is said that, sure, the 10.5 million unemployed suffer, but their sufferings benefit humanity because it brings about lower prices. Where? It doesn't seem to be true of interest rates. Their rise is caused by the great inflation fighters, the administration, and the Federal Reserve. It doesn't seem to be true of gasoline. That's going up again. It doesn't seem to be true of meat. That's going up again. So, where is it happening?

Ms. Norwood. Well, without commenting, Mr. Chairman, at all, in any way, on the policy issues, I do think it is important to recognize that we did have annual rates in the vicinity of 11–12 percent in 1980 and 1981, and that we are now down to somewhere under 7 percent. The big question, as you quite rightly point out, is where we go from here.

Representative Reuss. Well, another big question is who caused these joyous months that we have been through. That is to say, if it was OPEC's slackness and an oil glut, if it was a beneficent crop season which brought in bumper crops and low prices, then it ill-behooves those who threw all those people out of work to claim credit for it.

Would you enlighten me and the world?

Ms. Norwood. Well, I'm afraid that I cannot enlighten you on any of the policy issues. As I see it, my job is to look at what actually has happened. There has been, certainly for the 7 months preceding May, a clear deceleration.

As I have said, because of technical difficulties in measurement, I think some of that deceleration may have been overstated. I think we need several months more to see where the acceleration of May will lead.

I think that it is a little bit better to look at either the experimental measure or the CPI–U, excluding the home purchase and mortgage interest costs. But both of those are going up at a rate in May of 0.6 percent, and that's a significant increase, clearly.

Representative Reuss. Again, I do not ask you about the quality of the governmental policy. But, it is important that we be able to sort out, I think, the extent to which the good things that have happened in the Consumer Price Index in the months back of us are the result of the high interest rate policy of this administration and to what extent they are the result of other extraneous factors.

I can't see the decline and resurrection of gasoline prices as being due to Ronald Reagan or Paul Volcker. Can you? And if so, how?

Ms. Norwood. The relationship between various measures of unemployment and prices, the old Phillips curve relationships, have become very muddied in recent periods. We have had the decontrol of petroleum, which started during the Carter administration and then was accelerated during the Reagan administration.

I think we have had some effect on energy prices. Energy prices do find their way through the economy, because the indirect effects of the use of energy in the production process are important. Food prices are affected by, as you have quite clearly indicated, a variety of factors, including supply and demand and international conditions, but also by the weather.

Representative Reuss. Well, if what you have said is true, namely, that gasoline prices and food prices have been primarily affected by factors other than the recession that engulfs us, then can't we learn something from the past 18 months? Can't we determine that bringing about a high interest rate recession not only creates terrible misery for our country and the world, but doesn't in and of itself do very much about fighting inflation?

I ask, because there will be other policymakers after Mr. Reagan and Mr. Volcker, whether the events of the last 18 months give much encouragement to the next recession maker who may come along with his inflation fighting program.

Ms. Norwood. Mr. Chairman, I think one possible way of looking at this is to take the Consumer Price Index and exclude from it mortgage interest costs, food and energy, and see what is left. If you take those items out, in May, over a 12-month period, the year-to-year change was 7.8 percent. That corresponds to rates in the 10- or 10.2-percent range in the last 3 months of 1980.

So, there has been some deceleration, even if you exclude mortgage interest rates and the way in which they are calculated in the index, food prices and energy prices.

Representative Reuss. Looking at some history, back in 1974, we had a very sharp increase in the Consumer Price Index. It was, on an annual basis, 12.2 percent. And then, there was a big recession under Mr. Nixon, and then Mr. Ford, and hosannas were loudly sung because inflation went down to 4.8 percent. But a couple of years later, by 1979, it was back up to 13.3 percent.

So, what ground is there for long-term self-congratulation about the fact that inflation is better now than it has been? What I'm saying is if we don't put into place an anti-inflation policy—and, as I have said, we don't have an energy policy, we don't have an incomes policy, we don't have a food policy, we don't have an interest rate policy, and we don't have a competition policy—if we don't put into effect an anti-inflation program, aren't we going to be back on the same dreary cycle of some relief from inflation and then back up it goes again?

Ms. Norwood. All that I can say, Mr. Chairman, is that I think we have made some progress. The data show that, particularly if you look at the index excluding these basic components that you have been talking about. There is room for further improvement, clearly.

Representative Reuss. Congressman Richmond.

ECONOMIC RECOVERY

Representative Richmond. Thank you, Mr. Chairman.

Ms. Norwood, you said we have made some progress. I think we ought to realize the progress we have made is just on the backs of the 10.5 million unemployed people and on the backs of American industry, which is functioning now at perhaps one of the lowest rates in modern history.

I don't think we have made any progress. Everyone says that this recession is going to turn around when people start replenishing their inventories. People can't afford to replenish their inventory. Sure, the average store doesn't have sufficient inventory, and we are saying people will go back to work when people have to start replenishing. But at 22 percent interest, which is effectively what many merchants pay, they can't afford to replenish.

For the foreseeable future under Reaganomics, under the present tax plan, present interest prices, present outlook, present lack of policy, as our chairman says, I believe we are in for many, many, many, many months of stagflation.

Now, I'm sure other people believe that, too. What can we look for? What can American industry look for and what can the American people look for? I don't see why food should be a large inflationary factor when the basic costs of raw materials in food have stayed at or below their annual level.

As you know, basic commodities today are far, far cheaper than they were if you indexed the dollar back to the Great Depression. Corn, wheat, and soybeans are selling per bushel today at many, many pennies less than they were during the Great Depression. As you know, corn, wheat, and soybeans are the basis of the American agricultural economy—the very foundation. When you talk about beef, you are talking only about the conversion of corn. I don't see why those prices should go up necessarily.

I can't figure out how we are going to get out of this miserable trough of stagflation until we get interest rates down, until we get some confidence back in the investment communities. What do you think?

Ms. **Norwood**. Everything I read suggests that everyone is looking for some break in high rates of interest.

INTEREST RATES

Representative **Richmond**. How are you going to have a break in high rates of interest when nothing is being done to cause a break? What are we doing to force interest rates down? We are increasing the Federal deficit. We are not increasing taxes to match the Federal deficit.

You and I agree if we could have lower rates of interest, we could get out of this trough of stagflation. But what is the Reagan administration doing to reduce interest? You and I know that interest is going to go up, not down. In fact, it's gone up this month, and I'm sure your index next month will show a higher rate of interest.

Ms. **Norwood**. I don't try to predict. I try to measure what actually happens.

Representative **Richmond**. You know there's been an upward trend in interest rates this month.

Ms. **Norwood**. Yes. But there are other factors, as well, in the index. Apparel prices have been declining. Medical care prices have been up and have been continuing up at a rate of about 1 percent a month for a very long period of time. They tend to get lost, by the way, in our discussion of energy and food because energy and food prices are somewhat more dramatic.

The big problem, I think, is that we have had a very large downward pull on our Consumer Price Index by energy prices. That is no longer here. Those energy prices have gone up. And even if they remain relatively stable, we will no longer have the downward pull on the index coming from energy.

As I have said, the Department of Agriculture projects that food prices will rise in the 5- to 7-percent range. Then, it depends, really, on what happens to medical care prices, to all of the other several hundred items that consumer families are actually buying in this country.

Representative **Richmond**. What happens if interest rates go up a point in the foreseeable future, which is going to happen? In fact, interest rates have already gone up half a point. What will that do to your index?

Ms. NORWOOD. Mr. Dalton tells me that it would raise the index about 0.1 percent. But it depends, of course, on the relationship of mortgage interest rates to house prices, because there is a relationship. Frequently, if mortgage interest rates go up, house prices go down, or vice versa, because of the marketplace and the difficulty people have in buying. Of course, what's happening is that very few people are buying houses.

Representative RICHMOND. Which shouldn't cause your index to vary particularly, right?

Ms. NORWOOD. We have a base weighted index because we want to isolate changes in prices from changes in quantities, which are essentially an increase or a reduction in the standard of living. Those houses that are selling are selling with different kinds of financing arrangements.

Representative RICHMOND. Creative financing.

Ms. NORWOOD. What has been called creative financing.

PRICES OF MANUFACTURED GOODS

Representative RICHMOND. You haven't mentioned the biggest item; namely, manufactured goods. What do you think of that? You mentioned food, you mentioned energy and housing prices, and we talked about interest. Certainly a large part of our economy is based on the cost of machined goods, correct?

Ms. NORWOOD. Well, new car prices have been fairly stable. As I have said, medical care prices are up. Apparel has been exceedingly low.

Representative RICHMOND. What do you mean by exceedingly low?

Ms. NORWOOD. The apparel and upkeep index in the CPI in the month of May was down 0.1 percent, and it has been quite low for several months.

Representative RICHMOND. In other words, we really can't blame the Nation's manufacturers and the Nation's labor force for the current inflation, right?

Ms. NORWOOD. Well, I'm not here to blame anyone. I'm here to measure what goes on and try to explain to you what I know.

Representative RICHMOND. You said you don't notice any inflationary pressures in the cost of manufactured goods.

Ms. NORWOOD. Well, there are. It depends on the issues. The producer Price Index which we are responsible for has been relatively stable up until now. The energy prices and finished petroleum prices are lagged a month because of collection difficulties. I would expect that these increased energy prices would show up in the PPI this month. But the rest of the PPI, as we have issued it, has been relatively stable. We will have to wait and see in the next couple of weeks when we get the Producer Price Index where industrial prices are.

Representative RICHMOND. Labor and management are respectively tightening their belts and not contributing to the Nation's inflation at the moment. I have never seen more cooperation between labor and management than we have right now. I think perhaps they are doing their part.

I think the only problem we have is that we have a nation with no Presidential policy on inflation. I mean taxes, interest rates, all of the key things that would cause your index to go up. Federal deficits. Wouldn't you say the Federal deficit is probably one of the greatest causes of an increase in the CPI?

Ms. NORWOOD. I leave it to the administration and the Congress to make policy, Congressman Richmond.

Representative RICHMOND. Would you say the Federal deficit would cause you more problems with your CPI than most other items?

Ms. NORWOOD. I think any economist would agree that Federal deficits have at least some impact on interest rates.

Representative RICHMOND. Thank you.

BLS APPROPRIATIONS FOR FISCAL YEAR 1982

Representative REUSS. Thank you.

Budget Director Stockman has indicated that the President will veto the supplemental appropriations bill for fiscal 1982 which, as we know, contains very badly needed appropriations for your agency.

If that veto is made and if Congress does not override, what will be the effect on the efficiency of your agency during the remaining 3 months of fiscal 1982?

Ms. NORWOOD. Mr. Chairman, I am very hopeful that whatever happens with the bill in its present form, the Congress will find some way to pass the urgent supplemental. As I have indicated before, it is a matter of very grave concern to us. We have alerted our employees to the possibility of some sustained leave without pay, otherwise called furlough, and I am very hopeful that somehow, the Congress and the administration will find a way to provide us with the funds that are needed.

Representative REUSS. Well, I certainly share your hope and thank you and Mr. Dalton for your help here this morning.

We now stand in adjournment.

[Whereupon, at 10:05 a.m., the committee adjourned, subject to the call of the Chair.]

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